

Wrapper-FRONT



**Opening of currency chest at Kumbakonam on 06-07-2009
by Shri. K.R. Ananda, Regional Director,
Reserve Bank of India, Chennai.**



**Launching of CUB Excel & CUB Apoorva -
Insurance linked Deposit Schemes**

Contents**Page No.**

Directors' Report	04
Corporate Governance Report	13
Management Discussion & Analysis Report	21
Auditor's Report	24
Balance Sheet	26
Profit & Loss Account	27
Schedules to Accounts	28
Cash Flow Statement	48
Balance Sheet Abstract	49
List of Branches	50
Performance Highlights	52
Decade of Progress	53
BASEL II Disclosures	55

Statutory Central Auditors

Abarna & Ananthan
Chartered Accountants
Bangalore

Share Transfer Agents

Integrated Enterprises (India) Ltd.,
II Floor, " Kences Towers",
No.1, Ramakrishna Street,
Off-North Usman Road, T.Nagar,
Chennai - 600 017.
Phone : 28140801 to 28140803
Fax : 28142479
Website : www.iepindia.com

Registered Office

149, T.S.R. (Big) Street, Kumbakonam - 612 001.
Phone : 0435 - 2432322, 2431622, 2431412 Fax : 0435 - 2431746
E-mail : co@cityunionbank.com
www.cityunionbank.com

BOARD OF DIRECTORS

P. VAIDYANATHAN
B.Com., F.C.A., A.I.C.W.A., A.C.S.
Chairman



S. BALASUBRAMANIAN
M.Sc., CAIIB., PGDFM.
M.D & C.E.O



T.S. VENKATASUBBAN
B.Com., F.C.A.



V. JAYARAMAN, I.R.S. (Retd.)



K.S. RAMAN
M.Sc.



S. BERNARD
B.Com., F.C.A.



N. KANTHA KUMAR
B.Com., L.L.B., CAIIB



N. SANKARAN
B.E., M.I.E.



M. NAGANATHAN
B.Com., F.C.A.



R.G. CHANDRAMOGAN



T.K. RAMKUMAR, B.Com., B.L.,

SENIOR EXECUTIVES



N. KAMAKODI
Executive Director



R. MOHAN
General Manager



S. SUNDAR
General Manager



S. SEKAR
General Manager



S. SRIDHARAN
General Manager

DEPUTY GENERAL MANAGERS



T.S. RAMANUJAM



V. SUNDAR



J. RAJAGOPALAN



J. KUMAR



N. VIJAYANARASIMHAN



B. SEKAR

ASSISTANT GENERAL MANAGERS

S. RAMAN
B. RAJAGOPAL
P. VISAKAN
R. RENGARAJAN
RAMESH SUBRAMANIAN
K. PANCHAPAKESAN

R.K. VISWANATHAN
D. KANNAPPAN
S. VENKATESAN
S. RAJAGOPALAN
V. SUGUNA
R. SUBRAMANIAN

V.S. SRINIVASAN
S. BALASUBRAMANIAN
V. KRISHNAMURTHY
R. SUBRAMANIAN
K. DEIVARAYAN

N. SANKARARAMAN
A. RAGOTHAMAN
M. MOUNISSAMY
K. MAHARAJAN
R. KRISHNAN

ASSISTANT GENERAL MANAGER & COMPANY SECRETARY
V. RAMESH

DIRECTORS' REPORT FOR THE YEAR 2008-2009

Your directors have immense pleasure in presenting their report on the financial results of the Bank along with audited Balance Sheet as on 31st March, 2009 and Profit & Loss Account for the year ended 31st March, 2009.

ECONOMY AND BANKING SCENARIO

The Indian economy which was on a robust growth path up to 2007-08 averaging at 8.9% witnessed moderation in 2008-09. The growth deceleration was primarily driven by knock on effects of the global economic crisis. Industrial growth experienced a significant downturn and the loss of growth momentum was evident in all categories. i.e. basic, capital, intermediate and consumer goods. The services sector witnessed some moderation and the agriculture recorded a deceleration in growth.

Monetary growth witnessed moderation during 2008-09 reflecting deceleration in bank credit on the back of the slow down in economic activity emanating from the deepening of the international financial turmoil.

Aggregate deposits of all Scheduled Commercial Banks grew by Rs. 633,382 crores during the year to reach Rs.3830322 crores as at the last Friday of March, 2009 registering a growth rate of 19.80%. The Gross Advances registered a growth of 17.30% during the year and rose to Rs.2770012 crores. Food credit increased by 4.08% to Rs.46211 crores. Non-Food credit increased by 17.53% and reached the level of Rs.2723801 crores as at the end of March 2009. The investment portfolio of banks also moved up in tandem with resource growth, recording a growth of 19.97% (compared to the growth of 22.90% during last year) to reach Rs.1165746 crore.

Inflationary pressure in the economy strongly reflected on domestic interest rates during the first half of the year. The hikes in the CRR and the repo rates necessitated Public Sector Banks (PSBs) to increase their BPLR several times in the first half of the year. Call money rates also moved up mainly on account of higher pre-emption and credit off-take. However, the financial turmoil reported in advanced economies and its likely effect on Indian Economy necessitated initiation of a slew of monetary easing measures coupled with fiscal stimulus in the second half leading to improved liquidity and lowering of lending and Call rates.

Due to adverse international developments in conjunction with domestic factors, capital flow reversals took place which impacted the equity markets and foreign exchange markets. The Equity markets which remained subdued throughout 2008-09 began to pick up only in the last week of March, 2009 and staged further advances following announcement of the results to the general election. Monetary management during 2008-09 was dominated by the response to the spill over effects of global financial crisis and the need to address slackening of domestic demand conditions. RBI had to provide foreign exchange liquidity to meet the demand from importers and contain volatility in the foreign exchange market arising out of capital outflows by foreign institutional investors (FIIs) which had an overall contractionary effect on rupee liquidity. The Reserve Bank addressed this issue by providing rupee liquidity through expansion of net domestic assets (NDA) by (i) conventional open market operations; (ii) special 14-day term repo facility for banks; (iii) buy-back of securities held under the market stabilisation scheme; (iv) special market operations, including the purchase of oil bonds; (v) enlargement of export credit refinance window; (vi) special refinance facility for banks for addressing the liquidity concerns of NBFCs, mutual funds and housing finance companies; (vii) special refinance facility for financial institutions (SIDBI, NHB and EXIM Bank); and (viii) funding to NBFCs through a special purpose vehicle (SPV).

The Indian financial sector is healthy despite adverse development in global markets. The Indian banking system is well capitalised and well placed to manage any asset quality concerns. The financial sector in India is well placed to capitalise on growth opportunities in our domestic markets. The Real GDP growth was 6.9% during April 2008 to December, 2008 and according to the estimates released by Central Statistical Organisation(CSO) in February,2009, real GDP growth for 2008-09 was 7.10.

In our country, there are several immediate challenges facing the economy which would need to be addressed going forward. First, after five years of high growth, the Indian economy was headed for a moderation in the first half of 2008-09 and the growth slowdown was accentuated in the third quarter of 2008-09 on account of spill over effects of international developments. While the moderation in growth seems to have continued through the fourth quarter of 2008-09 also, it has been cushioned by quick and aggressive policy responses both by the Reserve Bank and the Government. Notwithstanding the contraction of global demand, growth prospects in India continue to remain favourable compared to most other countries.

RBI has been focusing on improving credit delivery, developing financial markets and promoting financial inclusion. Internationally, the financial intermediation process has been significantly affected by the ongoing financial crisis. Consequently, various international bodies and financial intermediaries have been contemplating changes in the financial regulatory architecture to restore normalcy in the functioning of global financial markets and strengthen financial stability. Domestically, although there has been some slowdown in credit growth, particularly in the second half of 2008-09, the banking system remains inherently sound and the financial markets including inter-bank markets are functioning normally. Nevertheless, the unfolding of the global financial crisis underscores the need for further strengthening of regulation and supervision even as our country remains outside the epicentre of the global crisis.

Since October 2008, interest rates have declined across the term structure in the money and government securities markets. The call rates have remained near or below the lower bound of the LAF corridor from November 2008. While the secondary market yield on the 10-year government security touched an intra-year low of 5.11 per cent on December 30, 2008, it then generally increased in the wake of the large market borrowing programme of the Government, reaching 7.08 per cent on March 30, 2009. The yield has subsequently declined on account of substantial easing of liquidity and reduction in inflation.

PERFORMANCE OF YOUR BANK

The Performance Highlights for the financial year in the key financial areas are as under :

(Rs. in Crs)

Particulars	2008-09	2007-08
Deposits	8207	6425
Advances (Net)	5645	4537
Investments (Net)	2397	1718

Your Bank crossed another flag post of Rs. 13,800 crores mark in total business during the Financial Year 2008-09. Your Bank continues to perform creditably to maintain its growth level above the industry benchmarks.

The Bank achieved an operating profit of Rs.226.72 crs against Rs.180.15 crs recorded in the previous year. The net profit increased by 20.06 % from Rs 101.73 crs to Rs 122.13 crs. The Net Interest Income rose from Rs.199.78 crs to Rs. 242.57 crs registering a growth of 21.42%. The return on average assets worked out at 1.50 % when compared to 1.60% last year.

DEPOSITS

During the year, deposits have increased to Rs. 8207 crs as on 31-03-2009 from Rs.6425 crs as on 31-03-2008 recording a growth rate of 27.74%. The cost of deposits increased to 7.98% from 7.23%.

ADVANCES

The Advances have increased from Rs.4537 crs as on 31-03-2008 to Rs.5645 crs as on 31-03-2009 translating into an impressive growth rate of 24.42%. The yield on advances increased from 12.82 % to 13.46%. The priority sector advances aggregated to 40.06 % of Bank's adjusted net credit.

NON PERFORMING ASSETS

Your Bank has given greater thrust on minimizing the quantum of non-performing assets and as a result of persistent efforts on recovery, the level of Gross Non-Performing Assets has been brought down to 1.80% from 1.81% but the Net Non-Performing Assets increased to 1.08% from 0.98%. The Bank is taking continuous efforts to reduce the level of non-performing assets.

INVESTMENTS/TREASURY OPERATIONS

During the year under review gross investments have increased from Rs.1718 crs to Rs.2397 crs to maintain reserve requirements on the back of higher resources mobilised. Total yield on investments worked out to 8.58%. In the first half of FY 2008-09, the interest rates moved northwards on the back of high inflation and dear money policy pursued by RBI. However in the second half particularly in the third quarter yields have softened thanks to successive reduction in policy rates by RBI and abundant liquidity made available in the system. The foreign exchange market was characterised by steep fall of Indian Rupee against US dollar coupled with non availability of dollar liquidity in the third quarter. However the bank has seized all favourable movements in the yields/ currency to substantially improve the profits from treasury operations.

RISK MANAGEMENT

Risk management enables banks to identify, assess and manage their Credit, Market, and Operational risks proactively. In light of the fast changing, dynamic and competitive Banking scenario, it is important that banks develop robust risk management policies and procedures which are very clear and responsive to these changes. The global economic turmoil that emerged last year and still continues to affect recovery process has called for stringent risk management practices in place.

In your bank, a high level Risk Management Committee comprising of Directors oversees the functioning of three key bodies - Asset Liability Management Committee, Credit Risk Management Department and Task Force for Risk Based Internal Audit to mitigate the overall risks faced by the bank. As required by the Reserve Bank of India the bank has as on 31.03.2009, moved over to Basel II requirements under Standardised approach for credit and market risks and Basic Indicator method for operational risks. The Bank is fully preparing to move on to Advanced approaches in all three areas of risk management.

FINANCIAL RESULTS

Your Directors are pleased to furnish below the financial results for the year ended 31st March 2009.

(Rs. in Lakhs)

Particulars	For the Current Year ended 31st March, 2009	For the Previous Year ended 31st March, 2008
Gross Income	92808.35	68624.63
Total Expenses	70136.20	50609.55
Profit before Provisions & Contingencies	22672.15	18015.08
Provisions & Contingencies	10458.66	7842.01
Net Profit	12213.49	10173.07

**APPROPRIATIONS:**

The summary of appropriations is given hereunder:

(Rs. in Lakhs)

Particulars	For the Current Year ended 31st March, 2009	For the Previous Year ended 31st March, 2008
Net Profit	12213.49	10173.07
Balance of Profit brought forward	487.34	6.54
Amount available for appropriations	12700.83	10179.61
Transfer to Statutory Reserve	3125.00	2601.09
Capital Reserve	2135.92	271.19
Investment Reserve Account	131.25	0.00
Special Reserve under IT Act, 1961	300.00	0.00
General Reserve	3700.00	4948.07
Proposed Dividend	2400.00	1600.00
Corporate Dividend Tax	407.88	271.92
Balance of profit carried forward	500.78	487.34

NETWORTH & CRAR

The Bank's paid-up capital stood at Rs.32.00 Crs as on 31st March, 2009. The Bank's net worth improved from Rs.566.86 Crs as on 31-03-2008 to Rs.660.92 Crs as on 31-03-2009. The Capital Adequacy Ratio as at 31st March, 2009 stood at 12.49%(BASEL-I) and 12.69%(BASEL-II) well above the stipulated regulatory norms.

DIVIDEND

Your Directors are pleased to recommend a higher dividend of 75% on the equity shares for the financial year 2008-2009 in pursuance of the constant philosophy of rewarding shareholders.

BRANCH EXPANSION

During the year under review, your Bank has expanded its network by opening branches at the following centres, so far taking our network to 208 branches. Your Bank has proposal to open few more branches before the end of the current financial year.

Sl. No.	Name of the Branch	State	Date of Opening
1	K K NAGAR - CHENNAI	TAMIL NADU	13/06/2008
2	MARAIMALAI NAGAR	TAMIL NADU	13/06/2008
3	UTHUKULI	TAMIL NADU	13/06/2008
4	CHENGALPET	TAMIL NADU	04/09/2008
5	FAIR LANDS - SALEM	TAMIL NADU	04/09/2008
6	ELLAMPILLAI	TAMIL NADU	04/09/2008
7	NADUKKADAI	TAMIL NADU	04/09/2008
8	PALLIPALAYAM	TAMIL NADU	04/09/2008
9	R.S.PURAM - COIMBATORE	TAMIL NADU	04/09/2008
10	KELAMBAKKAM - CHENNAI	TAMIL NADU	20/10/2008
11	KOLKATTA - RASH BEHARI AVENUE	WEST BENGAL	20/10/2008
12	ANNA NAGAR - MADURAI	TAMIL NADU	20/10/2008
13	NACHIAR KOIL	TAMIL NADU	20/10/2008
14	PERAMBALUR	TAMIL NADU	20/10/2008
15	RAMANAGARA	KARNATAKA	20/10/2008



Sl. No.	Name of the Branch	State	Date of Opening
16	RAJAJI NAGAR - BANGALORE	KARNATAKA	24/11/2008
17	KOLLAM	KERALA	24/11/2008
18	MATHURAPURI	TAMIL NADU	24/11/2008
19	SIRKAZHI	TAMIL NADU	24/11/2008
20	BANASHANKARI - BANGALORE	KARNATAKA	21/01/2009
21	HINDUPUR	ANDHRA PRADESH	23/01/2009
22	THINDAL	TAMIL NADU	23/01/2009
23	DILSUKHNAGAR - HYDERABAD	ANDHRA PRADESH	09/03/2009
24	KUKATPALLY	ANDHRA PRADESH	09/03/2009
25	JANAKPURI - NEW DELHI	NEW DELHI	22/03/2009
26	ALLAHABAD	UTTAR PRADESH	25/03/2009
27	THUVAKUDI	TAMIL NADU	25/03/2009
28	SAIBABA COLONY - COIMBATORE	TAMIL NADU	08/04/2009

EMPLOYEES STOCK OPTION SCHEME

The Shareholders of the Bank had approved the Employees Stock Options Scheme at the Extraordinary General Meeting held on 26.04.2008. The Bank has implemented the City Union Bank Employees Stock Option Scheme 2008 (ESOS 2008) as per The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 during the current financial year. As per the Scheme a total of 5,00,00,000 stock options are available for grant to the eligible present and future employees of the Bank and a total of 2,02,50,000 options have been granted to the eligible employees. These Stock Options would vest in a graded manner i.e. 15%, 15%, 15%, 25% and 30% between 07.12.2009 to 02.12.2016. The vested options are exercisable over a period of 5 years from the respective dates of vesting.

Statutory disclosures regarding ESOS under Clause 12 of the SEBI guidelines are provided in Annexure-I attached to this Report.

HUMAN RESOURCE DEVELOPMENT

Being alive to the need of attracting, motivating and retaining talented work force, your Bank has been recruiting qualified and skilled personnel in different cadres and continues to focus on imparting training to its employees to sharpen their functional and behavioural skills. As on 31st March, 2009, your Bank has 2452 employees comprising of 28 executives, 659 officers, 1405 clerks and 360 sub-ordinate staff.

The information required under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is attached to this report as Annexure-II

AUTOMATION

During the year under review, 40 more ATMs have been installed in various branches taking the total to 121. Your Bank has plans to install more ATMs both onsite & off site at different centres. The integration of bank branches has led to enhanced customer service and has paved the way for enlarging the customer base.

INTERNATIONAL BANKING

As at 31st March, 2009, your Bank's turnover in Foreign Exchange Business was Rs. 2672.24 Crs thereby registering an increase of 48% over the corresponding period last year. The non-resident deposits as on 31st March, 2009 stood at Rs.137.42 Crs.

BOARD OF DIRECTORS

In response to the recommendations of Dr. Ganguly Committee with regard to splitting of post of Chairman and Chief Executive Officer in private sector banks, the Board of Directors at the meeting held on 24.09.2008, has resolved to split the post of Chairman and Chief Executive Officer of the Bank. Accordingly the Board has proposed the name of Shri P Vaidyanathan, Director of the Bank for the post of Part Time Non Executive Chairman and Shri S Balasubramanian, then Chairman of the Bank for the post of Managing Director and Chief Executive Officer of the Bank. Reserve Bank of India has since approved the proposals.

Shri. P. Vaidyanathan, Director of the Bank has assumed charge as Non Executive Chairman of the Bank w.e.f.27.04.2009 for a period of two years.

Shri S. Balasubramanian, has since assumed charge as Managing Director & Chief Executive Officer of the Bank w.e.f.31.01.2009 for a period of two years.

Shri. T.K. Ramkumar has been co-opted as Additional Director in the meeting of the Board of Directors held on 11.06.2009 pursuant to Section 260 of the Companies Act, 1956. He will hold office upto the date of this Annual General Meeting. Your bank has received notice from a member pursuant to Sec. 257 of the Companies Act, 1956 signifying his intention to propose the candidature of Shri T.K. Ramkumar as Director.

AUDITORS

In accordance with the policy of rotation and resting the present Statutory Central Auditors (SCA) M/s.Abarna & Ananthan, retire at the conclusion of this Annual General Meeting. It is proposed to appoint new SCA fully complying with the eligibility norms issued by the Reserve Bank of India.

Accordingly, a special notice has been received from the members under Section 225 of the Companies Act, 1956 to appoint M/s. Jagannathan & Sarabeswaran, Chartered Accountants, Chennai as the Statutory Central Auditors of the Bank at this Annual General Meeting in the place of the above retiring auditors.

CONSERVATION OF ENERGY, ABSORPTION OF TECHNOLOGY, FOREIGN EXCHANGE EARNINGS AND OUTGO

Your Bank, being a Banking company and an authorised dealer in foreign exchange, has been taking all steps to improve forex earnings by active consideration of need based credit limits of exporters and extending all facilities and services to NRIs and remitters of foreign exchange to our country.

CORPORATE GOVERNANCE

The Bank complies with the requirements of Clause 49 of the listing agreement entered into with Madras, National and Mumbai Stock Exchanges where its shares are listed. The reports on Corporate Governance & Management Discussion and Analysis are attached.

DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with Section 217(2AA) of the Companies Act, 1956,

- (i) the Directors of the Bank hereby state that in the preparation of the annual accounts for the financial year ended 31st March, 2009, the applicable Accounting Standards have been followed along with proper explanation relating to material departures.
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year 2008-09 and of the profit of the company for that period.
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) the Directors had prepared the annual accounts for the financial year ended 31st March, 2009 on a going concern basis.

**ACKNOWLEDGEMENT**

The Board expresses its sincere appreciation to all the shareholders, customers and well wishers of the Bank for their excellent co-operation and support extended to the Bank and looks forward to their continued patronage in the years to come.

The Board also takes on record its sincere appreciation and gratitude to RBI, NABARD, NHB, IDBI, SIDBI, EXIMBANK, ECGC, DICGC, SEBI, Stock Exchanges, Depositories, the Share Transfer Agents, Life Insurance Corporation of India, National Insurance Company Limited, Tata Consultancy Services, CIL, CIBIL, Correspondent Banks and various Government Agencies for their patronage and support.

The Board also places on record the significant contribution made by the employees at all levels and conveys its appreciation for their dedication, devotion to duty and their exemplary involvement in all the developmental activities.

FOR AND ON BEHALF OF THE BOARD

**Kumbakonam
30th June, 2009**

**P. Vaidyanathan
Chairman**

ANNEXURE-I
Statutory Disclosures regarding ESOS under Clause 12 of Securities and Exchange Board of India(Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines,1999

Particulars	ESOS 2008 Series I
Options Granted	2,02,50,000
Pricing Formula	Rs.13 per share/for option
Options Vested	NIL
Options exercised	NIL
Total Number of shares arising as a result of exercise of options	Not Applicable
Options Lapsed	NIL
Variation of terms of Options	NIL
Money realised by exercise of Options	Not Applicable
Total Number of Options in Force	2,02,50,000
Employee wise details of Options granted to	
(i)Senior Management Personnel	
Sri.S.Balasubramanian	7,50,000
Sri.N.Kamakodi	5,00,000
Sri.G.K.Balasubramanian	2,25,000
Sri.S.Sekar	2,00,000
Sri.S.Sundar	2,00,000
Sri. R.Mohan	2,00,000
Sri.S.Sridharan	1,00,000
(ii) Any other employee who received a grant in any one year of the options amounting to 5% or more of the options granted during the year	NIL
(iii) Identified employees who were granted options during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL

The Bank follows the intrinsic method for valuing the stock options. The difference between Employee Compensation cost computed based on such intrinsic value and employee Compensation cost that shall have been recognised if fair value of options has been used is explained below:

Sl. No.	Particulars	Amount (Rs.)
1	Employees compensation cost using Intrinsic Method of Accounting	NIL
2	Employees Compensation Cost using Fair Value Method of Accounting	NIL
3	Difference between (1) & (2)	NIL
Weighted Average Details		
1	Exercise Price	13.00
2	Fair Value	10.50



The Bank has used Black Scholes Model to calculate a theoretical call price (ignoring the dividend paid during the life of the options) using six determinants of an options price; Stock Price, Strike Price, Volatility, time to expiration, expected dividend and short term(Risk Free) interest rate. Significant assumptions made to estimate the fair value of options are as under :-

SI. No.	Particulars	Series 1
1	Risk Free interest rate	4.50%
2	Expected Life(Excluding grant period of one year)	3 Years from each of the vesting
3	Expected volatility	280%
4	Expected dividend	3.85%
5	Price of the underlying share at the time of grant of options	Rs.13/-

ANNEXURE-II

STATEMENT SHOWING THE INFORMATION REQUIRED TO BE FURNISHED UNDER SECTION 217(2A) OF THE COMPANIES ACT READ WITH COMPANIES(PARTICULARS OF EMPLOYEES) RULES,1975 AND FORMING PART OF THE DIRECTOR REPORT FOR THE YEAR ENDED 31ST MARCH 2009

i) Employed throughout the year and were in receipt of remuneration not less than Rs.24,00,000 per annum

Sl. No.	Name	Designation	Remuneration	Nature of Employment	Other terms & Conditions	Nature of Duties	Qualification & Experience	Date of Commencement of Employment	Age	Last Employment Held
-----NIL-----										

ii) Employed throughout the year and were in receipt of remuneration for any part of the year in the aggregate not less than Rs.2,00,000 per month.

Sl. No.	Name	Designation	Remuneration	Nature of Employment	Other terms & Conditions	Nature of Duties	Qualification & Experience	Date of Commencement of Employment	Age	Last Employment Held
1	Sri. S. Balasubramanian	Managing Director & CEO	Rs. 17,62,258	Regular	Whole Time Employee	Managing Director & CEO	M.Sc., CAIB, PGDFM	16-09-1971	63	N.A.

CORPORATE GOVERNANCE REPORT

Securities and Exchange Board of India (SEBI) had constituted a committee on Corporate Governance under the Chairmanship of Sri Kumaramangalam Birla in the Year 1999. In its report the Committee observed that “strong Corporate Governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection”.

SEBI, on the basis of recommendations of the Committee, had specified norms of Corporate Governance and introduced Clause 49 in the Listing agreement in the year 2000. These norms were further revised by SEBI in the year 2005 to be made effective from 01.01.2006.

1. Philosophy of Corporate Governance

The importance of Corporate governance lies in its contribution both to business prosperity and accountability. Good corporate governance ensures that the shareholders/ stake holders are taken into confidence on matters concerning the Bank's business and activity. Corporate governance is of great significance to banks due to their important role in financial intermediation in the economy and the need to safeguard the depositors money. The philosophy of Corporate Governance is not just compliance with legal and regulatory requirements. Besides effective management and control it implies the need to maintain business ethics and maximise the value for all shareholders.

The timely and accurate disclosure of information about the financial situation, performance, ownership and governance of the Bank is an important part of corporate governance. This improves public understanding of the structure, policies and activities of the bank and the bank is able to attract investors and enhance the trust and wealth of the stakeholders besides retaining their confidence. Basic philosophy of Corporate Governance is the application of best management practices that provide stability and growth to the enterprise. Your Bank's Corporate Governance philosophy is to continuously strive to attain higher levels of transparency, accountability, responsibility and fairness in all aspects of its operations. Your Bank remains committed towards protection and enhancement of overall long term value of all its stakeholders – shareholders, investors, customers, employees and society and respect minority rights in all our business decisions. Your Bank always tries to be the best among the best performing banks in the Banking Industry.

To achieve the objectives of the corporate philosophy, the Bank is committed to an effective system of governance which is well devised to translate the core values into actions through its Board of Directors and their Committees.

2. Board of Directors

The Banking Regulation Act, 1949 governs the composition of the Board of Directors. The Board consists of eminent persons with professional experience in the fields of banking, accountancy, agriculture, law and industry. The business of the Bank is vested with the Board of Directors. The strength of the Board as on 31.03.2009 is 10 directors comprising the Managing Director & CEO and 9 non executive directors.

Name of the Director	Sector Representation	Category as per the Listing Agreement	No. of other Directorships held
S. Balasubramanian	Banking	Managing Director & CEO	Nil
T.S. Venkatasubban	Accountancy	Non-Executive Director	Nil
V. Jayaraman	Agriculture	Non-Executive Director	Nil
P. Vaidyanathan	Accountancy	Non-Executive Director	4
K.S. Raman	Agriculture	Non-Executive Director	Nil
S. Bernard	Accountancy	Non-Executive Director	Nil
N. Kantha Kumar	Banking	Non-Executive Director	1
N. Sankaran	Agriculture	Non-Executive Director	Nil
M. Naganathan	Accountancy	Non-Executive Director	Nil
R.G. Chandramogan	Industrialist	Non-Executive Director	2

**Change in Directorship****Appointment of New Director**

Shri T K Ramkumar has been co-opted by the Board at its meeting held on 11.06.2009. He is a partner in M/s. Ram & Rajan & Associates, Partnership firm of Advocate, Chennai and he possesses knowledge and experience in Banking Law, Company Law, Intellectual property rights Civil etc.

Reappointment of Directors

- (i) Shri N. Sankaran, aged 68 years, B.E. (Civil) is a Member of Institute of Engineers. He is an Agriculturist and has special knowledge in Agriculture. Shri N Sankaran is holding 29800 shares in the Bank.
- (ii) Shri M. Naganathan, aged 69 years, B.Com., F.C.A. He is a practicing Chartered Accountant. He is a Senior partner in M/s. Price Patt & Co., Chartered Accountants, Chennai. He is having wide experience in Accountancy. Shri M Naganathan is holding 1000 shares in the Bank.
- (iii) Shri R.G. Chandramogan, aged 60 years, is an Industrialist. He is the Chairman & Managing Director of Hatsun Agro Product Limited and Director in Tonokya Food Private Limited. Shri R G Chandramogan is holding 1000 shares in the Bank.

The pecuniary relationship of the non-executive directors with the Bank.

The Bank pays the non-executive directors sitting fees of Rs.10,000 and Rs.5,000 for attending Board Meetings and the Board sub-committee meetings respectively.

Shri P Vaidyanathan, Director of the Bank was connected with Integrated Enterprises (India) Limited, the Share Transfer Agents of the Bank and he has since resigned from Integrated Enterprises (India) Limited with effect from 27th April, 2009. The Bank has paid Rs.18,57,911/- to Integrated Enterprises (India) Limited towards maintenance, processing, depository registry services and for filing of e-TDS returns for the period 2008-2009 (Clause 49 (IV) (E) (i) of the listing agreement).

Last AGM, Board and Committee Meetings

Name of the Director	Attendance in the last Annual General Meeting held on 24-09-2008	Attendance in 12 Board Meetings
Shri. S. Balasubramanian	Yes	12
Shri. T.S. Venkatasubban	Yes	11
Shri. V. Jayaraman	No	11
Shri. P. Vaidyanathan	Yes	11
Shri. K.S. Raman	Yes	11
Shri. S. Bernard	Yes	12
Shri. N. Kantha Kumar	Yes	12
Shri. N. Sankaran	Yes	11
Shri. M. Naganathan	Yes	12
Shri. R.G. Chandramogan (since 30.07.2008)	Yes	6

All the meetings were conducted with proper quorum and without any adjournments. The date and place of the meeting as well as the agenda papers are advised to all the directors well in advance. The Directors have access to all additional information on the agenda. Executives of the Bank are also invited to attend the Board meetings to provide necessary clarifications. During the year under review, the Board meetings were held 12 times as detailed below:

Dates of the Board Meeting held:

26.04.2008, 23.05.2008, 28.06.2008, 30.07.2008, 21.08.2008, 24.09.2008, 23.10.2008, 06.12.2008, 02.01.2009, 28.01.2009, 28.02.2009, 31.03.2009.



COMMITTEES TO THE BOARD

In order to facilitate the decision making process, the Board has constituted certain committees and delegated specific powers to them. The minutes of each meeting are subsequently placed before the next meeting of the committee for confirmation and the minutes thus approved are placed before the following meeting of the board for their information.

Committee to review Irregular Advances

It reviews NPA, suit filed and decreed debts on quarterly basis.

Name of the Director	Attendance in 4 Committee Meetings to review Irregular advances
Shri. S. Balasubramanian	4
Shri. N. Sankaran	4
Shri. V. Jayaraman	3
Shri. M. Naganathan	4
Shri. P. Vaidyanathan	4

Dates of the Committee Meeting to review Irregular Advances held:

21.06.2008, 23.09.2008, 19.12.2008 and 30.03.2009.

3. Audit Committee

Audit Committee of the Board provides direction and oversees the operation of total audit function in the Bank as stipulated by RBI. It also reviews the Bank's internal control systems and functioning of its branches and central office departments. It also reviews the report of the Statutory audits and all the issues raised in the Long Form Audit Report (LFAR) and interact with external auditors before the finalization of the annual/quarterly financial statements and reports. Further it also reviews all the issues raised in the Inspection Reports of RBI.

The Audit Committee focuses on follow up of

- Inter Branch Adjustment Accounts
- Unreconciled long outstanding entries in Inter Bank Accounts and Nostro Accounts
- Arrears in balancing of books at various branches
- Frauds and all other major areas of house keeping,

The Audit Committee consists of the following five non-executive independent directors. The committee meets regularly to perform its functions.

Name of the Director	No. of Meetings	Attendance
Shri T.S. Venkatasubban	12	10
Shri K.S. Raman	12	12
Shri S. Bernard	12	12
Shri N. Kantha Kumar	12	12
Shri M. Naganathan	12	11

Dates of Meeting held:

25.04.2008, 23.05.2008, 27.06.2008, 29.07.2008, 20.08.2008, 23.09.2008, 22.10.2008, 06.12.2008, 02.01.2009, 28.01.2009, 28.02.2009 and 30.03.2009.

4. Risk Management Committee

The Committee is empowered to review the Bank's risk management policies in relation to various risks (credit, market, liquidity, operational and reputation risks) investment policies and strategy and regulatory and compliance issues in relation thereto. The committee is also empowered to review risk return profile of the Bank, capital adequacy based on risk profile of the Bank's balance sheet, Basel – II implementation, business continuity plan and disaster recovery plan, key risk indicators and significant risk experience.

The Risk Management Committee consists of the following non-executive directors. The committee meets regularly to perform its functions.

Name of the Director	No. of meetings	Attendance
Shri P. Vaidyanathan	2	2
Shri T.S. Venkatasubban	2	2
Shri V. Jayaraman	2	2
Shri N. Kantha Kumar	2	2

Dates of Meeting held: 22.05.2008 & 06.12.2008

5. Remuneration

Remuneration (Gross) paid to Shri.S. Balasubramanian during the period from 01-04-2008 to 31-03-2009. He was the Chairman & CEO up to the period from 30.01.2009 and then he was appointed as Managing Director & CEO with effect from 31.01.2009

Designation	Period	Remuneration
Chairman & CEO	01-04-2008 to 30-01-2009	1350000/-
Managing Director & CEO	31-01-2009 to 31-03-2009	412258/-

No remuneration is paid to the non-executive directors other than sitting fees and other expenses viz., travelling, boarding and lodging etc., incurred in attending the board and committee meetings of the Bank.

6. Shareholders Grievance Committee

The shareholders grievance committee was constituted to look into the redressal of shareholders' complaints such as non-receipt of share certificate after transfer, dividend warrant and annual report etc.,

- i. Shri T.S. Venkatasubban, Chairman of the Committee, Non-Executive Director
- ii. Compliance Officer - Shri V Ramesh, Asst. General Manager & Company Secretary
- iii. No. of Shareholders complaints received so far -
 Complaint - 4
 Information & Services - 1615
- iv. No. of complaints not solved to the satisfaction of shareholders - Nil
- v. No. of pending share transfers - Nil

Members	No. of meetings held	Attendance
Shri. T.S. Venkatasubban	1	1
Shri. N. Sankaran	1	1
Shri. K.S. Raman	1	1

Date of Meeting held : 31-03-2009



7. General Body Meetings

Location and time where last 3 AGMs were held

Sl.No	Date of AGM	Location	Time
1.	18-08-2006	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.00 a.m.
2.	25-07-2007	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.00 a.m.
3.	24-09-2008	"Raya Mahal", 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001	10.30 a.m.

i. Special Resolution Passed through AGM

Date	Special Resolution
18.08.2006	---NIL---
25.07.2007	Alteration to the Article 4(i) in the Articles of Association u/s 31 of the Companies Act, 1956 for dividing the Authorized capital of the company of Rs. 100,00,00,000/- (Rupees One Hundred crores only) into 100,00,00,000 equity shares of Re.1/- each
24.09.2008	(i) To appoint Shri S Balasubramanian as Chairman and Chief Executive Officer of the Bank and as Director not liable to retire by rotation. (ii) Alteration to the Article 31 in the Articles of Association u/s 31 of the Companies Act, 1956 for paying up to any unpaid amount on any shares held by the members or paying up in full unissued shares of the Bank to be allotted and distributed, credited as fully paid up and applying share premium account in paying up of unissued shares. (iii) To decide on the timing and make an offer and issue equity shares of Re.1/- each at suitable premium on right basis, fractional entitlements disregarded, with right to renounce the entitlements.

ii. Special Resolution Passed through EGM held on 26.04.2008

- (I) To offer, issue and allot by way of Qualified Institutional Placement (QIP) to Qualified Institutional Buyers (QIB) through one or more placement equity shares not exceeding 8,00,00,000 equity shares of Re.1/- each.
- (II) To create, issue, grant/allot upto 5,00,00,000 equity stock options to the eligible present and future employees including directors of the Bank in one or more tranches through Employees Stock Option Scheme (ESOS)

8. Disclosures

There were no significant "related party transactions" of any material, financial & commercial nature with the Bank by the directors and their relatives that would have potential conflict with the interest of the Bank at large.

Code of Conduct

In terms of Clause 49 of the Listing Agreement, a declaration signed by the Managing Director & CEO affirming compliance with the code of conduct by the Director and Senior Management of the Bank is as follows.

Declaration of Compliance with the Code of Conduct.

I confirm that all the Directors have affirmed compliance with the Bank's Code of Conduct for Directors. Also, the Senior Management Team has affirmed compliance with the Bank's Code of Conduct for Senior Management.

Place : Kumbakonam
Date : 31-03-2009

S. Balasubramanian
Managing Director & CEO



9. Means of Communication

Audited / Unaudited results are normally published in "Dinamalar" / "Daily Thanthi", local Tamil newspapers and in "Business Line", a national English newspaper. The Bank has a Website with its address as www.cityunionbank.com where such results are hosted.

10. General Shareholder Information

i. AGM Date	31.08.2009
Time	11.00 a.m.
Venue	Raya Mahal, 45-46, Gandhi Adigal Salai, Kumbakonam - 612 001.
ii. Financial Year	1st April, 2008 to 31st March, 2009.
iii. Book Closure Date	08.08.2009 to 12.08.2009 (both days inclusive).
iv. Dividend Payment Date	On or after 31.08.2009, but within the statutory time limit of 30 days.
v. Listing on Stock Exchange	The shares of the Bank have been listed at the three Stock Exchanges viz., Madras Stock Exchange Ltd., Chennai, National Stock Exchange of India Ltd., Mumbai, and Bombay Stock Exchange Ltd., Mumbai.
vi. Stock Code	Madras Stock Exchange Ltd. - CUB National Stock Exchange of India Ltd. - CUB B.S. E. - 532210

vii. Market Price Data - Low/High during each month of the Financial Year 1st April, 2008 to 31st March, 2009.

(in Rs.)

Month	National Stock Exchange of India Limited (NSE)		Bombay Stock Exchange Limited (BSE)	
	Low	High	Low	High
April, 2008	27.50	37.80	27.00	35.65
May, 2008	29.00	37.00	28.85	33.90
June, 2008	23.10	32.40	22.70	32.50
July, 2008	18.00	26.90	19.05	27.00
Aug, 2008	24.00	31.00	23.50	31.00
Sep, 2008	22.00	29.90	21.15	32.50
Oct, 2008	13.15	25.00	13.15	23.90
Nov, 2008	11.90	19.00	11.80	19.00
Dec, 2008	12.10	15.75	12.03	15.90
Jan, 2009	13.00	16.40	12.91	16.45
Feb, 2009	12.00	14.45	12.03	14.45
March, 2009	11.30	13.10	11.10	13.24

There were no transactions in Chennai Stock Exchange during the period.

viii. Share Transfer System

Share Transfer activities under physical segment are being carried out by our Share Transfer Agents, M/s. Integrated Enterprises (India) Limited, Chennai. Shares sent for physical transfers are generally registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects.

The Share Transfer Committee was constituted to approve share transfers, transmissions etc. Besides, the share transfers, transmissions etc., are approved by the Board.

Members	No. of meetings held	Attendance
Shri. S. Balasubramanian	1	1
Shri. T.S. Venkatasubban	1	1
Shri. K.S. Raman	1	1
Shri. N. Sankaran	1	1

Date of meetings held : 21.06.2008

Total No. of shares transferred in physical form during the year 1st April, 2008 to 31st March, 2009

No. of Transfers	No. of Shares
208	604030

All Complaints have been resolved to the satisfaction of the shareholders / investors.

Number of Complaints pending - NIL

ix. **Distribution of Shareholding**

(i) Share Distribution Schedule as on 31-03-2009

Sl. No	Category (No. of shares)	No. of Holders	% of Holders	No. of Shares	% to Capital
1.	Upto 500	22124	46.650	4327935	1.350
2.	501-1000	10776	22.720	10210312	3.190
3.	1001-2000	4501	9.490	7779154	2.430
4.	2001-3000	2288	4.830	6338389	1.980
5.	3001-4000	1865	3.930	7188800	2.250
6.	4001-5000	999	2.110	4767768	1.490
7.	5001-10000	2497	5.270	18298547	5.720
8.	10001 & above	2371	5.000	261089095	81.590
TOTAL		47421	100.000	320000000	100.000

(ii) Shareholding Pattern as on 31-03-2009

Sl. No	Category	No. of Holders (Folios)	% of Holders	No. of Shares	% of Shares
1.	Banks	6	0.0127	5119619	1.5999
2.	Bodies Corporate	511	1.0776	59183935	18.4950
3.	Clearing Members	129	0.2720	530465	0.1658
4.	Directors	11	0.0232	4544080	1.4200
5.	F.I.I.'s	20	0.0422	40557256	12.6741
6.	Insurance companies	4	0.0084	19252093	6.0163
7.	Mutual Fund	2	0.0042	1810430	0.5658
8.	NRIs	343	0.7233	1751382	0.5473
9.	Resident Indians	46367	97.7773	152154290	47.5482
10.	Relatives of Directors	20	0.0422	7530670	2.3533
11.	Trusts	6	0.0127	65780	0.0205
12.	Corporate Body-Foreign	2	0.0042	27500000	8.5938
TOTAL		47421	100.000	320000000	100.000

x. Dematerialisation of shares

26,71,23,028 shares (83.47% of paid-up share capital) of the Bank were dematerialized as on 31-03-2009. The ISIN of the shares is INE491A01021.

xi. Address for Correspondence**Shares Department****CITY UNION BANK LIMITED**

Central Office,
149, T.S.R. (Big) Street,
Kumbakonam 612 001, Tamil Nadu.

Telephone: 0435-2432322

Fax: 0435 - 2431746

E-Mail: shares@cityunionbank.com

Share Transfer Agents

Integrated Enterprises (India) Limited,
"Kences Towers",
2nd Floor, No.1, Ramakrishna Street,
Off North Usman Road,
T. Nagar, Chennai - 600 017.

Telephone: 044-28140801 - 03

Fax: 044-28142479

E-Mail: yesbalu@iepindia.com

Auditor's Certificate on Corporate GovernanceTo the members of **CITY UNION BANK LIMITED**

We have examined the compliance of conditions of Corporate Governance by City Union Bank Limited, Kumbakonam for the year ended 31st March, 2009, as stipulated in Clause 49 of the Listing Agreement of the Bank with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For **Abarna & Ananthan**
Chartered Accountants

Place: Chennai
Date: 11th June, 2009

Abarna Bhaskar
Partner
M.No. : 25145

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A ECONOMIC SCENARIO

Economic activity in India slowed down in Q1 and Q2 of 2008-09 as compared with the previous three years. However, growth decelerated sharply in Q3 following the failure of Lehman Brothers in mid-September 2008 and knock-on effects of the global financial crisis on the Indian economy. Consequently, the growth rate during the first three quarters (April-December) of 2008-09 slowed down significantly to 6.9% from 9% in the corresponding period of the previous year. The advance estimates of the Central Statistical Organisation (CSO) released in February 2009 have placed the real GDP growth for 2008-09 at 7.1%. With the assumption of normal monsoon, for policy purpose, real GDP growth for 2009-10 is placed at around 6%. Keeping in view the global trend in commodity prices and domestic demand-supply balance, WPI inflation is projected at around 4% by March 2010.

GDP growth was 7.9%, 7.6%, 5.3% respectively, in the first three quarters of 2008-09 as against 9.3%, 8.9% and 8.4% for the corresponding three quarters of 2007-08 and 8.4% was the GDP growth in the last quarter of 2007-08.

Real GDP growth in Industry sector during FY 2008-09 has reduced considerably to 2.8% as compared to 8.6% during FY 2007-08 and Real GDP growth in services sector during FY 2008-09 has increased marginally to 11% as compared to 10.6% during FY 2007-08 .

Real GDP in Industry slowed down to 2.6% in 2008-09 as compared to 8.6% in 2007-08 and in services sector it increased marginally to 11% in 2008-09 as compared to 10.6% in 2007-08. During the year 2008-09, Indian economy recorded average growth of 7.1%. Like all emerging economies India has also been affected by the crisis. Despite adverse impact, certain factors helped India to safeguard against the crisis i.e. 1.our financial markets particularly banks functioned normally 2.India's comfortable foreign exchange reserves provided confidence to manage balance of payments in spite of lower export demand and dampened cash flows.3. Inflation,as measured by the wholesale price index has declined sharply. 4. Due to mandated agricultural lending and social safety programmes, rural demand continues to be robust.

B. BANKING SCENARIO

Although there has been some slowdown in credit growth, particularly in the second half of 2008-09, the banking system remains inherently sound and the financial markets including inter-bank markets are functioning normally. Nevertheless, the unfolding of the global financial crisis underscores the need for further strengthening of regulation and supervision even as India remains outside the epicentre of the global crisis. But we have to ensure a policy regime that will enable credit expansion at viable rates while preserving credit quality so as to support the return of the economy to a high growth path and monitor continuously the global and domestic conditions and respond swiftly and effectively through policy adjustments as warranted so as to minimise the impact of adverse developments and reinforce the impact of positive developments.

Following measures were initiated during the financial year 2008-09

- The policy repo rate under the liquidity adjustment facility (LAF) was reduced by 400 basis points from 9 % to 5%.
- The policy reverse repo rate under the LAF was reduced by 275 basis points from 6% to 3.25%.
- The cash reserve ratio (CRR) was reduced by 400 basis points from 9% of net demand and time liabilities (NDTL) of banks to 5%.
- The statutory liquidity ratio (SLR) was reduced from 25% of NDTL to 24%.
- The export credit refinance limit for commercial banks was enhanced to 50% from 15% of outstanding export credit.
- A special 14-day term repo facility was instituted for commercial banks up to 1.5% of NDTL.
- The interest rate ceilings on non-resident Indian (NRI) deposits were raised.
- The all-in-cost ceiling for the external commercial borrowings (ECBs) was raised. The all in-cost ceiling for ECBs through the approval route has been dispensed with up to June 30, 2009.

C. OPPORTUNITIES AHEAD

Your Bank has made rapid strides on the technology front. All the branches are connected to Core Banking Solution “Quartz” designed and developed by IT Major Tata Consultancy Services Ltd in pursuit of excellence in customer service and provision of technology oriented services. Customers can now have access to their accounts from any of our branches. Your Bank also provides Internet Banking facilities to its customers. Your Bank has also tied up with Doha Bank QSC, Qatar & ICICI Bank for hassle free e-Remittances services for NRIs. Your Bank has also connected itself with NFS and Bank of India (Cash-Tree) which would enable the customers to have access to more ATMs across the Country. Your Bank has on its agenda opening of a few more branches besides adding more ATMs. The Bank has also entered into an agreement with M/s. Wealth Advisors (India) Private Limited for providing Wealth Management Services including investment advisory. Your Bank has introduced SMS Banking facilities to its customers. Your Bank has associated itself with Visa International and introduced VISA cards which would enable the customers to have access to more than 37500 ATMs across the Country.

D. SEGMENTWISE PERFORMANCE

I. Deposits of the Bank comprise of the following

Sl. No.	Particulars	Amount (Rs. in Crs)	Percentage to total
1.	Current	695.11	8.47
2.	Savings	856.05	10.43
3.	Term	6655.46	81.10
Total		8206.62	100.00

II. Investments of the Bank consist of the following

Sl. No.	Particulars	Amount (Rs. in Crs)	Percentage to total
1.	Govt Securities	1957.23	81.64
2.	Other approved securities	2.73	0.11
3.	Shares, Debentures, NABARD, Mutual funds and Bonds	437.51	18.25
Total		2397.47	100.00

E. OUTLOOK

Growth of investments has been significant in the economy and this formed the basis for impressive economic growth in India recently. During the first half of fiscal 2009, the yield on government securities increased by about 70 basis points due to tight liquidity conditions and monetary policy actions before declining by about 320 basis points following the sharp reduction in policy rates by RBI in Q3-2008-09. During Q4-2008-09, yield increased by about 175 basis points following a larger than expected government borrowing programme and concerns of an over-supply of government securities. Due to significant easing of monetary policy by RBI and consequent softening of the interest rates in the economy, we positioned ourselves to take advantage of the change in the interest rate scenario by increasing the duration of the SLR portfolio as well as taking trading positions to benefit from the drop in yields.

F. RISKS AND CONCERNS

A comprehensive integrated risk management system becomes essential to manage the various type of risks that the banks are exposed to. Your bank has established a comprehensive risk management structure as per RBI guidelines on risk management for managing various risks like Credit Risk, Market Risk and Operational Risk. Your bank has Credit Risk Management Department, Asset Liability Management Committee and Task Force for Risk Based Internal Audit for identification, measurement, monitoring and management of risks to mitigate their adverse impact on its financials. A well developed Risk Management System is needed to counter these risks faced by the banks and effective risk management is critical to the bank's success.

Risk is an integral part of the banking business and your bank aims to achieve an appropriate trade off between risk and return and thereby maximize shareholder value. Your bank has initiated the necessary steps to streamline systems, strategies and adopted BASEL II framework w.e.f. 31.03.2009 as stipulated by the Regulator.

G. INTERNAL CONTROLS

Your bank already has well laid internal control and systems to take care of the operations and ensure steady growth. The system of regular inspection, credit inspection and concurrent audit form part of the internal control mechanism. The Audit Committee of the Board reviews the internal inspection and concurrent audit report of the branches on a monthly basis. Your bank has also put in place an effective credit monitoring system which also envisages stock audit and credit audit of large borrowal accounts by an external audit agency. Risk based internal audit system has been introduced in select branches as per Reserve Bank of India guidelines. Adequate steps have been taken to work under the computerised environment. The Computer Systems Department is also subjected to System Audit to mitigate risk under computerised environment. Key branches are under concurrent audit which cover 73.12% of the Bank's business.

H. HUMAN RESOURCE DEVELOPMENT/INDUSTRIAL RELATIONS

Development of Human resources is an important factor for development of any organisation and it involves various aspects including training for improving managerial skills. Your bank places great value on developing and nurturing its human capital as a critical resource in its efforts for value creation. All CUBIANS (Employees) periodically undergo training programmes for developing their functional and behavioural skills at our Staff College. Our Staff Training College has got state of the art infrastructure facilities and expert faculty members to impart training. We are also a member of Southern India Bank's Training College, Bangalore which has expertise in imparting training. Executives and Officers are sponsored to undergo training programmes conducted by Bankers Training College, Mumbai, National Institute of Bank Management, Pune, Institute for Development and Research in Banking Technology, Hyderabad and Southern India Bank Staff Training College, Bangalore. As in the past the Bank has maintained a cordial and healthy industrial relationship with the employees.

The number of employees on roll of the Bank as on 31st March, 2009 was 2452.

I. DISCUSSIONS ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

The Bank's financial performance with respect to operational performance can be enumerated as per the following parameters;

Particulars	Current Year	Previous Year
Deposits rose by	Rs. 1781.67 Crs	Rs. 1725.62 Crs
Cost of deposits	7.98%	7.23%
Gross advances rose by	Rs. 1111.00 Crs	Rs. 1195.47 Crs
Yield on Advances	13.46%	12.82%
Total Yield on Investments	8.58%	7.70%
Net Interest Income rose by	Rs. 42.79 Crs	Rs. 37.48 Crs
Net worth of the Bank rose by	Rs. 94.06Crs	Rs. 201.15 Crs
Number of branches increased to	207	180
Staff productivity increased to	Rs. 5.65 Crs	Rs. 4.99 Crs

COMPLIANCE WITH CLAUSE 32 OF THE LISTING AGREEMENT

I. Name and address of Stock Exchanges where equity shares of CITY UNION BANK LIMITED are listed.

1. Madras Stock Exchange Limited

Exchange Building, 11, Second Line Beach Road, Post Box No. 183, Chennai - 600 001.

2. Bombay Stock Exchange Limited

Phiroze Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai - 400 023.

3. National Stock Exchange of India Limited

Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051.

II. The Bank confirms that the Annual Listing Fee has been paid to all the above three exchanges.

Auditor's Report to the Members of CITY UNION BANK LIMITED

We have audited the attached Balance Sheet of City Union Bank Limited, Kumbakonam as at 31st March, 2009, the Profit and Loss Account and Cash Flow Statement of the Bank for the year ended on that date annexed thereto, in which are incorporated returns of 18 branches and Central Office, audited by us and 191 branches/ offices audited by the Branch Auditors. The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 211 of the Companies Act, 1956 in form 'A' & 'B' respectively of Third Schedule to the Banking Regulation Act, 1949. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

On the basis of our audit and having regard to the report on the accounts of branches/offices audited by the other auditors, which have been considered by us, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory;
- (b) In our opinion, the Bank has maintained proper books of accounts as required by law in so far as it appears from our examination of those books;
- (c) The returns received from the offices and branches of the Bank have been found adequate for the purpose of our audit;
- (d) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and the branch returns;
- (e) The transactions of the Bank, which have come to our notice, have been, in our opinion, within the powers of the Bank;
- (f) In our opinion, the accompanying financial statements dealt with by this report comply with the Accounting Standards referred to in sub-section 3(C) of Section 211 of the Companies Act, 1956, to the extent they are not inconsistent with the accounting policies prescribed by the Reserve Bank of India;
- (g) The reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us;
- (h) As per the information and explanations given to us, the Central Government has, till date, not prescribed any cess payable under Section 441A of the Companies Act, 1956;
- (i) According to the information and explanations given to us and on the basis of the written representations, received from the Directors of the Bank and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and



CUB

- (j) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement together with the notes thereon give the information required by the Banking Regulation Act, 1949, as well as the Companies Act, 1956, in the manner so required for banking companies and circulars issued by the Reserve Bank of India from time to time and give a true and fair view:
- (i) in case of Balance Sheet, of the state of affairs of the Bank as at 31st March, 2009;
 - (ii) in case of the Profit and Loss account, of the profits of the Bank for the year ended 31st March, 2009; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended 31st March, 2009.

For **Abarna & Ananthan,**
Chartered Accountants,

Place : Chennai
Date : 11th June, 2009

ABARNA BHASKAR
PARTNER
M.No. 25145

BALANCE SHEET AS ON 31.03.2009

(Rs. in thousands)

	Sch.No	As on 31.03.2009	As on 31.03.2008
CAPITAL AND LIABILITIES			
Share Capital	1	32,00,00	32,00,00
Reserves and Surplus	2	628,91,78	534,86,17
Deposits	3	8206,62,15	6424,95,59
Borrowings	4	14,99	2,64,16
Other Liabilities & Provisions	5	383,31,78	354,50,71
Total		9251,00,70	7348,96,63
ASSETS			
Cash and Balances with Reserve Bank of India	6	595,32,29	695,87,52
Balances with Banks & Money at Call and Short Notice	7	289,76,27	121,05,49
Investments	8	2397,46,40	1717,95,52
Advances	9	5645,25,29	4537,05,70
Fixed Assets	10	41,29,29	43,46,86
Other Assets	11	281,91,16	233,55,54
Total		925,100,70	7348,96,63
Contingent Liabilities	12	4024,19,58	4159,11,93
Bills for Collection		401,03,40	207,29,07

P. VAIDYANATHAN
 Chairman

T.S. VENKATASUBBAN
N. SANKARAN
S. BALASUBRAMANIAN
 MD & CEO

V. JAYARAMAN
M. NAGANATHAN
N. KAMAKODI
 Executive Director

K.S. RAMAN
R.G. CHANDRAMOGAN
S. SUNDAR
 General Manager

N. KANTHA KUMAR
Directors
J. RAJAGOPALAN
 Deputy General Manager

 For **Abarna & Ananthan**
 Chartered Accountants

V. RAMESH
 AGM & Company Secretary

Abarna Bhaskar
 Partner
 M.No. 25145

Chennai
 11.06.2009

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2009

(Rs. in thousands)

	Sch.No	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
I INCOME			
Interest Earned	13	804,40,12	595,96,26
Other Income	14	123,68,23	90,28,37
Total		928,08,35	686,24,63
II EXPENDITURE			
Interest Expended	15	561,83,28	396,18,44
Operating Expenses	16	139,52,92	109,91,11
Provisions and Contingencies		104,58,66	78,42,01
Total		805,94,86	584,51,56
III PROFIT / LOSS			
Net Profit		122,13,49	101,73,07
Profit brought forward		4,87,34	6,54
Total		127,00,83	101,79,61
IV APPROPRIATIONS			
- Statutory Reserves		31,25,00	26,01,09
- Capital Reserve		21,35,92	2,71,19
- General Reserve		37,00,00	49,48,07
- Investment Reserve Account		1,31,25	Nil
- Special Reserve under IT Act, 1961		3,00,00	Nil
- Interim Dividend		Nil	9,60,00
- Interim Dividend Tax		Nil	1,63,15
- Final Dividend		24,00,00	6,40,00
- Final Dividend Tax		4,07,88	1,08,77
- Balance carried over to Balance Sheet		5,00,78	4,87,34
Total		127,00,83	101,79,61

P. VAIDYANATHAN
Chairman

S. BALASUBRAMANIAN
MD & CEO

N. KAMAKODI
Executive Director

S. SUNDAR
General Manager

J. RAJAGOPALAN
Deputy General Manager

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R.G. CHANDRAMOGAN
Directors

For **Abarna & Ananthan**
Chartered Accountants

Abarna Bhaskar
Partner
M.No. 25145

SCHEDULES FORMING PART OF THE ACCOUNTS
(Rs. in thousands)

		AS ON 31.03.2009	AS ON 31.03.2008
SCHEDULE - 1 CAPITAL			
Authorised Capital (100,00,00,000 Equity Shares of Re.1/- each)		<u>100,00,00</u>	<u>100,00,00</u>
Issued Capital (32,00,00,000 equity shares Re.1/- each)		32,00,00	32,00,00
Subscribed and Paid-up Capital (32,00,00,000 equity shares Re.1/- each)		32,00,00	32,00,00
Total		<u>32,00,00</u>	<u>32,00,00</u>
SCHEDULE - 2 RESERVES AND SURPLUS			
I Statutory Reserves			
Opening Balance	220,75,00	194,73,91	
Additions during the year	<u>31,25,00</u>	<u>26,01,09</u>	
		252,00,00	220,75,00
II Capital Reserves			
Opening Balance	16,77,88	14,06,69	
Additions during the year	<u>21,35,92</u>	<u>2,71,19</u>	
		38,13,80	16,77,88
III Share Premium			
Opening Balance	155,45,95	38,52,31	
Additions during the year	<u>Nil</u>	<u>116,93,64</u>	
		155,45,95	155,45,95
IV Revenue and Other Reserves			
i) General Reserve			
Opening Balance	137,00,00	93,11,33	
Deductions during the year	<u>Nil</u>	<u>5,59,40</u>	
Additions during the year	<u>37,00,00</u>	<u>49,48,07</u>	
		174,00,00	137,00,00
ii) Investment Reserve Account			
Opening Balance	Nil	Nil	
Additions during the year	<u>1,31,25</u>	<u>Nil</u>	
		1,31,25	Nil
iii) Special Reserve u/s 36(1)(viii) of Income Tax Act, 1961			
Opening Balance	Nil	Nil	
Additions during the year	<u>3,00,00</u>	<u>Nil</u>	
		3,00,00	Nil
V Balance in Profit and Loss Account		5,00,78	4,87,34
Total		<u>628,91,78</u>	<u>534,86,17</u>
SCHEDULE - 3 DEPOSITS			
A I. Demand Deposits			
i) From Banks	1,93,28	58,48	
ii) From Others	<u>693,18,07</u>	<u>620,21,67</u>	
		695,11,35	620,80,15
II. Savings Deposits		856,04,87	723,38,59
III. Term Deposits			
i) From Banks	32,81,31	164,94,75	
ii) From Others	<u>6622,64,62</u>	<u>4915,82,10</u>	
		6655,45,93	5080,76,85
Total		<u>8206,62,15</u>	<u>6424,95,59</u>
B i) Deposits of Branches in India		8206,62,15	6424,95,59
ii) Deposits of Branches outside India		Nil	Nil
Total		<u>8206,62,15</u>	<u>6424,95,59</u>

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)
(Rs. in thousands)

	AS ON 31.03.2009	AS ON 31.03.2008
SCHEDULE - 4 BORROWINGS		
I. Borrowings in India		
i) Reserve Bank of India	Nil	Nil
ii) Other Banks	76	19,98
iii) Other institutions and agencies	14,23	2,44,18
II Borrowings from outside India	Nil	Nil
Total	14,99	2,64,16
III Secured borrowings included in I	Nil	Nil
SCHEDULE - 5 OTHER LIABILITIES & PROVISIONS		
I. Bills Payable	94,67,43	128,13,66
II. Inter-Office Adjustments (net)	Nil	Nil
III. Interest Accrued	44,49,69	45,83,96
IV. Others (including Provisions)	244,14,66	180,53,09
Total	383,31,78	354,50,71
SCHEDULE - 6 CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I Cash in Hand (including foreign currency notes)	163,65,91	113,83,07
II Balances with Reserve Bank of India		
i) In Current Accounts	431,66,38	582,04,45
ii) In Other Accounts	Nil	Nil
Total	595,32,29	695,87,52
SCHEDULE - 7 BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I In India		
i) Balances with Banks		
a) In Current Accounts	85,94,98	69,32,01
b) In Other Deposit Accounts	166,53,00	49,60,00
ii) Money at Call and Short notice		
a) With Banks	Nil	Nil
b) With Other Institutions	Nil	Nil
Total	252,47,98	118,92,01
II Outside India		
In Current Accounts	11,92,29	2,13,48
In Deposit Accounts	25,36,00	Nil
Total	37,28,29	2,13,48
Grand Total	289,76,27	121,05,49

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)
(Rs. in thousands)

	AS ON 31.03.2009	AS ON 31.03.2008
SCHEDULE - 8 INVESTMENTS		
I In India		
i) Government Securities	1957,22,74	1493,48,17
ii) Other Approved Securities	2,72,85	3,91,77
iii) Shares	22,08,69	12,98,32
iv) Debentures and Bonds	71,54,48	55,68,87
v) Subsidiaries / Joint Ventures	Nil	4,69,91
vi) Others	343,87,64	147,18,48
Total	2397,46,40	1717,95,52
Gross Investments in India	2404,69,55	1728,10,52
LESS : Provision for Invt. Deprn	7,23,15	10,15,00
Net Investments in India	2397,46,40	1717,95,52
II Outside India	Nil	Nil
Grand Total	2397,46,40	1717,95,52
SCHEDULE - 9 ADVANCES		
A i) Bills Purchased and Discounted	163,17,26	125,80,06
ii) Cash Credits, Overdrafts and Loans repayable on Demand	2815,08,77	2035,63,98
iii) Term Loans	2666,99,26	2375,61,66
Total	5645,25,29	4537,05,70
B i) Secured by tangible assets (includes advances against book debts)	5383,38,30	4340,08,07
ii) Covered by Bank/Govt. Guarantees	72,74,81	66,75,00
iii) Unsecured	189,12,18	130,22,63
Total	5645,25,29	4537,05,70
C I) Advances in India		
i) Priority Sector	1824,92,80	1547,92,11
ii) Public Sector	72,74,81	66,75,00
iii) Others	3747,57,68	2922,38,59
Total	5645,25,29	4537,05,70
II) Advances outside India	Nil	Nil
Grand Total	5645,25,29	4537,05,70

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)
(Rs. in thousands)

	AS ON 31.03.2009	AS ON 31.03.2008
SCHEDULE - 10 FIXED ASSETS		
I Premises		
i) At Cost as at 31st March of the preceding year	16,59,74	13,82,94
ii) Additions during the year	88,90	2,76,80
iii) Sales / adjustments during the year	42,55	Nil
Total	17,06,09	16,59,74
iv) Depreciation to date	6,14,36	5,66,56
Total	10,91,73	10,93,18
II Other Fixed Assets (including Furniture and Fixtures)		
i) At Cost as at 31st March of the preceding year	80,86,66	64,57,08
ii) Additions during the year	13,43,95	16,34,01
Total	94,30,61	80,91,09
iii) Deductions / adjustments during the year	13,60	4,43
Total	94,17,01	80,86,66
iv) Depreciation to date	63,79,45	48,32,98
Total	30,37,56	32,53,68
Grand Total	41,29,29	43,46,86

SCHEDULE - 11 OTHER ASSETS

I Inter office Adjustments	1,35,38	15,52,75
II Interest accrued	48,00,08	39,66,35
III Tax paid in Advance / Tax deducted at source	188,47,59	152,54,56
IV Stationery and stamps	44,52	48,15
V Others	43,63,59	25,33,73
Total	281,91,16	233,55,54

SCHEDULE - 12 CONTINGENT LIABILITIES

I Claims against Bank not acknowledged as debts	28,86	19,25
II Liability for partly paid Investments	Nil	Nil
III Liability on account of outstanding Forward Exchange Contracts	3503,16,66	3522,37,82
IV Guarantees given on behalf of constituents - In India	345,35,03	293,47,04
- Outside India	Nil	Nil
V Acceptances, endorsements and other obligations	175,39,03	342,79,22
VI Other items for which the Bank is contingently liable	Nil	28,60
Total	4024,19,58	4159,11,93

SCHEDULES FORMING PART OF THE ACCOUNTS (Contd.)
(Rs. in thousands)

	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
SCHEDULE - 13 INTEREST EARNED		
I Interest / discount on Advances / Bills	655,32,83	479,48,50
II Income on Investments	142,42,26	109,70,73
III Interest on balances with Reserve Bank of India and other Inter-Bank funds	6,65,03	6,77,03
IV Others	Nil	Nil
Total	804,40,12	595,96,26
SCHEDULE - 14 OTHER INCOME		
I Commission, Exchange and Brokerage	21,12,73	17,46,84
II Profit/Loss on sale of Investments (net)	38,12,57	12,35,00
III Profit/Loss on revaluation (Amortization)	Nil	Nil
IV Profit on sale of Land, Bldgs and other assets	3,96	1,89
V Profit on Exchange transactions (net)	9,84,45	4,59,35
VI Miscellaneous Income	54,54,52	55,85,29
Total	123,68,23	90,28,37
SCHEDULE - 15 INTEREST EXPENDED		
I Interest on Deposits	556,22,05	389,53,42
II Interest on RBI/Inter-Bank Borrowings	1,82,10	2,62,59
III Others	3,79,13	4,02,43
Total	561,83,28	396,18,44
SCHEDULE - 16 OPERATING EXPENSES		
I Payments to and provision for employees	64,97,19	49,05,18
II Rent, taxes and lighting	15,45,90	13,73,34
III Printing and Stationery	2,96,24	2,09,31
IV Advertisement and publicity	3,38,93	3,19,55
V Depreciation on Bank's property	15,94,27	14,79,60
VI Directors' fees, allowances and expenses	22,40	30,28
VII Auditors' fees and expenses	48,93	38,21
VIII Law charges	8,66	5,94
IX Postage, Telegrams, telephone, etc.	3,81,00	3,08,65
X Repairs and Maintenance	7,09,47	4,47,68
XI Insurance	7,10,16	5,49,88
XII Other expenditure	17,99,77	13,23,49
Total	139,52,92	109,91,11

NOTES ON ACCOUNTS
1. CAPITAL ADEQUACY RATIO

Particulars	31 March 2009		31 March 2008
	Basel I	Basel II	Basel I
Capital Adequacy Ratio	12.49%	12.69%	12.48%
Capital (Tier I) to Risk Weighted Assets	11.30%	11.48%	11.15%
Capital (Tier II) to Risk Weighted Assets	1.19%	1.21%	1.33%
Subordinated Debt raised as Tier II Capital	Nil	Nil	Nil

2. INVESTMENTS
2.1. Movement in Investments

(Rs. in lakhs)

Particulars	Year ended 31 March 2009	Year ended 31 March 2008
(1) Value of Investments		
(i) Gross value of investments		
(a) In India	240470	172811
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	723	1015
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	239747	171796
(b) Outside India	Nil	Nil
(2) Movement of provisions held towards depreciation on Investments		
(i) Opening Balance	898	418
(ii) Add: Provisions made during the year	Nil	480
(iii) Less: Write-off/write-back of excess provisions during the year	175	Nil
(iv) Closing Balance	723	898

2.2. Repo Transactions during the Year 2008-09

(Rs. in lakhs)

Particulars	Minimum outstanding during the year	Maximum outstanding during the year	Daily Average outstanding during the year	As at 31.03.2009
Securities sold under Repos	0	18000	832	NIL
Securities purchased under reverse repos	0	25000	1274	NIL

2.3 NON-SLR INVESTMENT PORTFOLIO

2.3. i) Issuer-wise composition of Non-SLR Investments

(Rs. in lakhs)

Sl. No.	Issuer	Amount	Extent of Private Placement	Extent of below "investment grade" securities	Extent of "unrated securities"	Extent of "unlisted securities"
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	PSUs	4072	Nil	Nil	Nil	200
2	Financial Institutions	2737	Nil	Nil	Nil	25
3	Banks	788	650	Nil	Nil	Nil
4	Private Corporates	1670	Nil	Nil	Nil	470
5	Subsidiaries / Joint Ventures	Nil	Nil	Nil	Nil	Nil
6	Others	34732	Nil	Nil	Nil	15
	Total (1 - 6)	43999	650	Nil	Nil	710
7	Provision held towards depreciation	248	-	-	-	-
	TOTAL	43751	650	Nil	Nil	710

2.3. ii) Non Performing non SLR Investments

(Rs. in lakhs)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
Opening Balance	117	187
Additions during the year	Nil	Nil
Reductions during the year	117	70
Closing Balance	Nil	117

3. DERIVATIVES

3.1 The bank has not entered into any Forward Rate Agreements/ Interest Rate Swaps and hence no disclosure is given. (Previous year – Nil)

3.2 The bank has not entered into any Exchange Traded Interest Rate Derivatives and hence no disclosure is given. (Previous year – Nil)

3.3 Disclosures on risk exposure in derivatives:

3.3.1 – Qualitative Disclosure:

The Bank's treasury department operates under three functional areas namely Front Office, Mid Office and Back Office. The operations are conducted in terms of the policy guidelines issued by Reserve Bank of India from time to time and as approved by the Board of the Bank. The policy, inter alia, stipulates various risk parameters like open position, VAR and AGL, Stop Loss etc., While the front office confines to dealing activities, the mid office reports to Risk Management Department as to the adherence of risk limits set in the policy. The Back Office is involved in settlement, reconciliation and accounting. The accounting of derivatives is done in strict conformity with RBI Guidelines. The Bank undertakes foreign exchange forward contracts for its customers and hedges them with other banks. The bank also deals with other banks in proprietary trading duly adhering to risk limits set in the policy and is monitored by mid office. The contracts entered into on behalf of customers are backed by collateral securities and cash margins. The Mark to Market values are monitored on monthly basis for foreign exchange forward contracts. The credit equivalent is computed under current exposure method.

3.3.2 Quantitative Disclosure :

(Rs. in lakhs)

Sl. No.	Particulars	Currency Derivatives	Interest Rate Derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) for hedging	13917	-
	b) for trading	336399	-
(ii)	Marked to Market Positions		
	a) Assets (+)	188058	-
	b) Liability (-)	182355	-
(iii)	Credit Exposure	4328	-
(iv)	Likely impact of one percentage change in interest rate (100 * PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	-
(v)	Maximum and Minimum of 100 * PV01 observed during the year		
	a) on hedging	-	-
	b) on trading	-	-

4. ASSET QUALITY
4.1 Non-Performing Assets
i) Movement in NPAs

(Rs. in lakhs)

Sl. No.	Particulars	As at 31 March 2009	As at 31 March 2008
(i)	Net NPAs to Net Advances (%)	1.08%	0.98%
(ii)	Movement of NPAs (Gross)		
	Opening balance	8293	8707
	Additions during the year	8642	5868
	Reductions during the year	6727	6282
	Closing balance	10208	8293
(iii)	Movement of Net NPAs		
	Opening balance	4446	3625
	Additions during the year	7108	5023
	Reductions during the year	5443	4202
	Closing balance	6111	4446
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	Opening balance	3574	4816
	Provisions made during the year	3350	2800
	Write-off of provisions	3148	4042
	Closing balance	3776	3574

ii) Movement in Floating Provisions for NPA

(Rs. in lakhs)

Sl. No.	Particulars	As at 31 March 2009
a)	Opening Balance	1930
b)	Additions during the year	Nil
c)	Reduction during the year	Nil
d)	Closing Balance	1930

**4.2 Details of Loan Assets subjected to Restructuring**

(Rs. in lakhs)

Particulars	MSME Debt Restructuring	Others	Total
Standard Advances Restructured			
No. of Borrowers	71	137	208
Amount Outstanding	24281	6043	30324
Sacrifice (diminution in the fair value)	601	48	649
Substandard Advances Restructured			
No. of Borrowers	5	0	5
Amount Outstanding	1007	0	1007
Sacrifice (diminution in the fair value)	10	0	10
Doubtful Advances Restructured			
No. of Borrowers	0	0	0
Amount Outstanding	0	0	0
Sacrifice (diminution in the fair value)	0	0	0
Total			
No. of Borrowers	76	137	213
Amount Outstanding	25288	6043	31331
Sacrifice (diminution in the fair value)	611	48	659

The number of accounts restructured under CDR Mechanism in the current year is "NIL" (Previous year – "NIL").

Additional Disclosures:

(Rs. in lakhs)

Sl. No.	Disclosures	Number	Amount
1	Application received upto March 31, 2009 for restructuring, in respect of accounts which were standard as on September 1, 2008	218	38391
2	Of (1), proposal approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet	161	23155
3	Of (1), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category	1	393
4	Of (1), proposals under process/implementation which were standard as on March 31, 2009	56	14843
5	Of (1), proposals under process/implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on full implementation of the package.	0	0

The above disclosure including sacrifice/provision are as compiled and certified by the bank Management as per the guidelines issued by the Reserve Bank of India from time to time upto 31.05.2009 on the subject.

4.3. The bank has not sold any financial assets to Securitisation / Reconstruction Company for Asset Reconstruction and hence no disclosure is given. (Previous year – Nil).**4.4. Provision on Standard Asset**

(Rs. in lakhs)

Particulars	Year ended 31 March 2009	Year ended 31 March 2008
Provision towards Standard Assets	2654	2654

**5. BUSINESS RATIOS**

Particulars	31 March 2009	31 March 2008
Interest Income as percentage to Average Working Funds	9.88%	9.43%
Non-Interest Income as percentage to Average Working Funds	1.52%	1.34%
Operating Profit as percentage to Average Working Funds	2.79%	2.85%
Return on Average Assets	1.50%	1.60%
Business per employee (Rs. in lakhs)	565.18	499.06
Profit per employee (Rs. in lakhs)	4.98	4.69

6. ASSET LIABILITY MANAGEMENT**Maturity Pattern of certain items of assets and liabilities**

(Rs. in Lakhs)

Particulars	Deposits	Advances	Investments	Borrowing	Foreign Currency Assets	Foreign Currency Liabilities
1 day	1784	3413	425	0	2562	2431
2-7 days	4357	3076	8102	0	9785	10733
8-14 days	8836	3899	0	0	1483	1024
15 to 28 days	8225	4429	1986	0	2689	1374
29 days to 3 months	40875	10496	3639	6	55579	58428
Over 3 months & upto 6 months	34270	1129	1531	6	75726	74209
Over 6 months & upto 1 year	99772	1471	2039	1	35329	35608
Over 1 year & upto 3 years	590285	358633	11640	2	229	201
Over 3 years & upto 5 years	29924	62765	26182	0	0	2
Over 5 years	2334	109103	183098	0	0	0
Total	820662	558414	238642	15	183382	184010

The above classification has been made on the basis of the guidelines of RBI and certain assumptions made by management and have been relied upon by auditors.

7. LENDING TO SENSITIVE SECTOR**7.1 Exposure to Real Estate Sector**

(Rs. in Lakhs)

Category	31 March 2009	31 March 2008
a) Direct exposure		
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (individual housing loans eligible or inclusion in priority sector advances may be shown separately)	16141	11815
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	72478	69996

Category	31 March 2009	31 March 2008
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential	1012	1012
b. Commercial Real Estate	-	-
b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	8000	500

7.2 Exposure to Capital Market

(Rs. in lakhs)

Category	31 March 2009	31 March 2008
<u>Advances to Capital Market Sector</u>		
1. Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	2409	2060
2. Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investments in shares (including IPOs/ESOPs), convertible bonds, convertible debentures and units of equity-oriented mutual funds	-	-
3. Advances for any other purposes where shares or convertible bonds or convertible debentures or units or equity oriented mutual funds are taken as primary security.	123	144
4. Advances for any other purposes to the extent secured by the collateral security of the shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds /convertible debentures / units of equity oriented mutual funds does not fully cover the advances.	-	-
5. Secured and Unsecured Advances to stock brokers and guarantees issued on behalf of stock brokers and market makers (both funded & non funded)	1207	1442
6. Loans sanctioned to corporates against security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
7. Bridge loans to companies against expected equity flows / issues.	-	-
8. Underwriting commitment taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
9. Financing to stock brokers for margin trading	-	-
10. All exposures to venture capital funds (both registered and unregistered) will be deemed	983	1025
Total Exposure to Capital Market	4722	4671

7.3 Risk Category wise Country Exposure

(Rs. in lakhs)

Risk Category	Exposure (net) as at March 2009	Provision held as at March 2009	Exposure (net) as at March 2008	Provision held as at March 2008
Insignificant	7839	Nil	3883	Nil
Low	11961	Nil	7725	Nil
Moderate	223	Nil	3099	Nil
High	Nil	Nil	Nil	Nil
Very High	4	Nil	Nil	Nil
Restricted	Nil	Nil	Nil	Nil
Off-credit	Nil	Nil	Nil	Nil
Total	20027	Nil	14707	Nil

The net funded exposure of the bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required in terms of RBI guidelines.

7.4 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the Bank

(Rs. in lakhs)

Name of the Borrower	Exposure Ceiling	Limit Sanctioned	Position as on 31 st March 2009
N I L			

8. MISCELLANEOUS
8.1 Provision made for Income-Tax and FBT during the year

(Rs. in lakhs)

Particulars	Year ended 31 March 2009	Year ended 31 March 2008
Provision for Income Tax	6245	3739
Fringe Benefit Tax	50	30

8.2 Penalties imposed by RBI

No penalty was imposed by the Reserve Bank of India during the year.

8.3 Drawdown from Reserves

The Bank has not drawn any amount from Reserves during the year.

8.4 Letters of Comfort issued during financial year 2008-09

(Rs. in lakhs)

Opening Balance as on 01.04.2008	3390
Add : Issued during the year	24908
Less : Expired during the year	16615
Outstanding as on 31.03.2009	11683

9. DISCLOSURES AS PER ACCOUNTING STANDARDS

The bank has complied with the Accounting Standards (AS) issued by the Institute of Chartered Accountants of India and the following disclosures are made in accordance with RBI's guidelines.

i) Prior Period Items - AS 5

There are no material prior period items of income / expenditure during the year requiring disclosure.

ii) Revenue Recognition - AS 9

Income / Expenditure of certain items recognised on cash basis (AS 9) are not considered to be material.

iii) Retirement benefits - AS 15

The liability towards Leave encashment and Gratuity is provided on actuarial basis. The contributory pension liability is provided on accrual basis.

a) The summarized position of the employee benefits recognized in the Profit & Loss Account and Balance Sheet as required in accordance with Accounting Standard-15 (Revised) are as under:

i) Changes in the present value of the obligations:

(Rs. in lakhs)

Particulars	Gratuity	Leave Encashment
Present value of Obligation as at the beginning of the year	2513.50	671.65
Service Cost	155.14	70.10
Interest on Defined benefit obligation	191.78	44.26
Benefits settled	(232.43)	(236.73)
Actuarial (gain)/loss	170.76	246.40
Present value of obligation at year end	2798.75	795.68

ii) Change in Fair value of Plan Asset:

(Rs. in lakhs)

Particulars	Gratuity	Leave Encashment
Fair value of Plan Assets at the beginning of the year	2511.21	0.00
Expected return on plan assets	203.27	0.00
Actuarial gain/(loss)	23.19	0.00
Contributions	291.64	236.73
Benefits settled	(232.43)	(236.73)
Fair value of Plan Asset at the end of the year	2796.88	0.00

iii) Amount recognized in Balance Sheet:

(Rs. in lakhs)

Particulars	Gratuity	Leave Encashment
Closing Present Value Obligation	2798.75	795.68
Closing Fair value of plan assets	2796.88	0.00
Unfunded net asset/(Liability) recognized in the Balance sheet	(1.87)	(795.68)

iv) Expenses recognized in Profit & Loss account:

(Rs. in lakhs)

Particulars	Gratuity	Leave Encashment
Current Service cost	155.14	70.10
Interest cost	191.78	44.26
Expected return on plan assets	(203.27)	0.00
Net Actuarial (gain)/loss recognised in the year	147.56	246.40
Total expenses recognized in the Profit & Loss Account	291.22	360.76

v) Principal actuarial assumption at the Balance Sheet Date:

Particulars	Gratuity (Funded)	Leave Encashment (Unfunded)
Discount factor	7.50%	7.50%
Estimated rate of return on plan assets	9.40%	0.00%
Salary increase	6.00%	6.00%
Attrition rate	6.00%	6.00%
Retirement age	58	58

iv) Segmental reporting - AS 17

Summary of the operating segments of the bank as follows:

(Rs in lakhs)

Particulars	Year ended	
	31.03.2009 Audited	31.03.2008 Audited
1. Segment Revenue		
a) Treasury	19703	13342
b) Corporate / wholesale banking	23985	17785
c) Retail Banking	48814	37252
d) Other Banking Operations	306	246
Total	92808	68625
2. Segment Results		
a) Treasury	5247	4186
b) Corporate / wholesale banking	7965	5632
c) Retail Banking	9237	8013
d) Other Banking Operations	223	184
Total	22672	18015
Operating Profit	22672	18015
Other Provisions & Contingencies	4844	4456
Profit Before Tax	17828	13559
Taxes including Deferred Tax	5615	3386
Net Profit	12213	10173

Summary of the operating segments of the bank as follows:

(Rs in lakhs)

Particulars	Year ended	
	31.03.2009 Audited	31.03.2007 Audited
3. Capital Employed:		
Segment Assets - Segment Liabilities		
a) Treasury	21506	15879
b) Corporate / wholesale banking	12206	9816
c) Retail Banking	26857	21837
d) Unallocated	5523	9154
Total	66092	56686
There are no significant residual operations carried on by the bank.		
PART B : GEOGRAPHIC SEGMENTS:		
The bank operates only in India		

v) Related Party disclosures - AS 18
● Key Management Personnel

Sri S. Balasubramanian, MD & CEO - Remuneration paid - Rs.17,62,258/-

vi) Earning Per share - AS 20

The details of EPS computation is set out below:

Particulars	As at 31 March 2009	As at 31 March 2008
Earnings for the year (Rs. in thousands)	1,221,349	1,017,307
Basic weighted average number of shares (Nos)	320,000,000	285,479,452
Basic EPS (Rs)	3.82	3.56
Dilutive effect of stock options (Nos)	539,704	539,704
Diluted weighted average number of shares (Nos)	320,539,704	286,019,156
Diluted EPS (Rs)	3.81	3.56
Nominal value of shares (Rs)	1	1

vii) Accounting for Taxes on Income - AS 22

The Bank has complied with the provisions of Accounting Standard 22 on accounting for taxes on income issued by the Institute of Chartered Accountants of India.

The major components of the Deferred Tax Asset and Liabilities as at 31 March 2009 are as follows:

(Rs. in lakhs)

Particulars	As at 31 March 2009	As at 31 March 2008
Deferred Tax Liability:		
Depreciation on Fixed Assets	103	271
Accrued Interest on Investments	136	381
Total Deferred Tax Liability (A)	239	652
Deferred Tax Asset:		
Provision for Standard Assets	902	902
Leave encashment	325	283
Provision on Restructured Accounts	224	0
Total Deferred Tax Asset (B)	1451	1185
Net Deferred Tax Liability / (Asset) - (A-B)	(1212)	(533)

viii) Intangible Assets - AS 26

The Bank has followed the AS 26 - "Intangible Assets" issued by ICAI and the guidelines issued by RBI and has been consistent with the compliance.

ix) Impairment of Assets - AS 28

In the opinion of the management there is no impairment to the assets to which AS 28 - "Impairment of Assets" applies.

x) Provisions & Contingencies - AS 29

The details of the provisions and contingencies, contingent liabilities, the movement of provisions on NPA's and on depreciation on investments which are considered material are disclosed elsewhere under the appropriate headings as per RBI guidelines.

10. INTER BRANCH RECONCILIATION

Reconciliation of Central Office accounts maintained by branches has been completed upto 31.03.2009. Adjustment of outstanding entries in Inter Branch Reimbursement account, Clearing Difference Receivable, Funds in Transit and other similar accounts is in progress. In the opinion of the management, consequential impact on the above is not material.

11. OTHER DISCLOSURES
11.1 Income Tax

Provision for income tax in the current year has been arrived at in consistence with earlier years after considering various judicial decisions on certain disputed issues.

With regard to taxes on issues under dispute for the earlier years aggregating to Rs.11813 lakhs which are pending before the Tax authorities, no provision is considered necessary based on the decisions of the appellate authorities in favour of the bank.

11.2 Agricultural Debt Waiver Scheme

In terms of Agricultural Debt Waiver and Debt Relief Scheme 2008, framed by the Government of India, the Bank has received Rs.4.17 crs from the Reserve Bank of India on account out of the eligible debt waiver amount of Rs.10.19 crs. The claims made under the scheme will be verified by the Statutory Auditors.

11.3 Break up of Provisions and Contingencies

(Rs.in Lakhs)

Particulars	31st March 2009	31st March 2008
Provision for		
- Income Tax, FBT & Deferred Tax		
a) Current	6295.00	3769.00
b) Deferred	(679.50)	(382.55)
- Bad & Doubtful Debts	3350.00	2800.00
- Standard Assets	0.00	970.00
- Depreciation on Investments (net)	700.16	630.56
- Others	133.00	55.00
- Restructured Accounts	660.00	0.00
Total	10458.66	7842.01

11.4 Customer Complaints

Sl.No.	Particulars	
a)	No. of complaints pending at the beginning of the year	Nil
b)	No. of complaints received during the year	53
c)	No. of complaints redressed during the year	53
d)	No. of complaints pending at the end of the year	Nil

**11.5 Awards Passed by the Banking Ombudsman**

SI.No.	Particulars	
a)	No. of unimplemented Awards at the beginning of the year	Nil
b)	No. of Awards passed by Banking Ombudsman during the Year	Nil
c)	No. of Awards implemented during the year	Nil
d)	No. of unimplemented Awards pending at the end of the year	Nil

11.6 Employees Stock Option

As per the CUB ESOS 2008 of the Bank, issue of 5,00,00,000 equity stock options of Re.1/- each was approved by the Board of Directors at their meeting held on 28.03.2008 and by the shareholders at the Extra-ordinary General meeting held on 26.04.2008. A total of 2,25,00,000 equity stock options of Re.1/- each was earmarked under the scheme to be allotted during the period (extended or otherwise) by the Compensation committee on 06.12.2008. The options will vest in a graded manner over a period of 5 years from the date of grant, at an exercise price of Rs.13/- per option. As on 31.03.2009, the options in force are 2,02,50,000.

11.7 Previous year's figures have been regrouped wherever necessary to conform to the current year classification.

STATEMENT OF ACCOUNTING POLICIES

1. General

The financial statements have been prepared on historical cost basis and on accrual basis of accounting except where stated otherwise and conform to the statutory provisions and practices prevailing within the banking industry in India.

2) Foreign Exchange Transactions

- 2.1 Assets and Liabilities denominated in Foreign Currencies are translated at the rates notified by FEDAI at the close of the year. Profit or Loss accruing from such transactions is recognised in the profit and loss account.
- 2.2 Income and Expenditure items have been translated at the Exchange rates ruling on the date of the transactions.
- 2.3 The Bank does not have a branch in a Foreign Country.
- 2.4 Outstanding Forward Exchange contracts are revalued at the exchange rates notified by FEDAI and the resultant net gain or loss is recognised in the Profit and Loss account.
- 2.5 Foreign Currency Guarantees, Acceptances, Endorsements and other obligations are accounted at the exchange rates prevailing on the date of the transactions.

3) Investments

- 3.1 As per RBI guidelines, the investments of the bank are categorised and valued as under:
 - **Held to Maturity**
 - **Available for Sale**
 - **Held for Trading**
 - a) Securities classified under "Held to Maturity" category are valued at acquisition cost. Where the acquisition cost is higher than the face value, such excess of acquisition cost over the face value is amortised over the remaining period to maturity.
 - b) Securities held in "Available for Sale" category are valued scrip wise as under:
 - i) Government of India securities are valued at market price as per quotation put out by Primary Dealers' Association of India/ Fixed Income Money Market and Derivatives Association of India.
 - ii) State Government loans, Trustee Securities, Securities guaranteed by Central/State Governments and PSU Bonds are valued on appropriate Yield to Maturity (YTM) basis as per Primary Dealers' Association of India/ Fixed Income Money Market and Derivatives Association of India guidelines.
 - iii) Treasury Bills/ Certificate of Deposits/ Commercial Papers are valued at carrying cost.
 - iv) Equity Shares are valued at market rate if quoted, otherwise at Break up Value as per the latest Balance Sheet if available or Re. 1/- per Company.
 - v) Preference shares are valued at market price if quoted or at appropriate YTM basis as per Primary Dealers' Association of India/ Fixed Income Money Market and Derivatives Association of India guidelines.
 - vi) Debentures are valued at market price, if quoted, otherwise on an appropriate YTM basis.
 - vii) Mutual Funds are valued at market price or at NAV or Market Price/ Repurchase Price.
 - viii) Security receipts are valued at NAV as declared by Securitisation companies.

- c) (i) Securities held in “Held for Trading” category are valued at Market Price based on quotations of Government Securities put out by Fixed Income Money Market and Derivatives Association of India.
- (ii) Inter bank Repo/ Reverse Repo transactions are accounted for in accordance with extant RBI guidelines.
- 3.2 Investments in Available for Sale / Held for Trading are valued category wise and scrip wise and net depreciation if any in each category is charged to Profit & Loss A/c, while net appreciation if any, is ignored.
- 3.3 Shifting of securities from one category to another category is carried out lower of acquisition cost/ book value/ market value on the date of transfer. The depreciation, if any on such transfer is fully provided for.
- 3.4 The non-performing investments are identified and depreciation/ provision is made as per the RBI guidelines.
- 3.5 Profit/ loss on sale of investments in any category is taken to the Profit & Loss account. However, in case of profit on sale of investment in “Held to Maturity” category, an equivalent amount is appropriated to the Capital Reserve account.
- 3.6 Commission, brokerage, broken period interest etc. on securities are debited/ credited to P & L account.
- 3.7 The bank follows value date method for accounting of its investments.
- 3.8 The investments shown in the Balance Sheet are net of depreciation, if any.
- 3.9 Cost of Investments is determined on the basis of the Weighted Average Cost Method consistently.
- 3.10 The non performing investments are identified and provided for as per RBI guidelines.

4. Advances

- 4.1 Advances have been classified in accordance with the prudential norms laid down by RBI for asset classification and provisioning requirements.
- 4.2 Advances shown in the Balance Sheet are net of provisions and interest reserve as mentioned above.

5. Fixed Assets

- 5.1 Premises and other Fixed Assets are accounted at acquisition cost less depreciation.
- 5.2 Depreciation has been provided on the composite value for premises acquired with land and building, where cost of the land is not separately identifiable.
- 5.3 Depreciation in respect of fixed assets is charged on the written down value of the assets from the date of purchase on pro-rata basis at the rates specified under Schedule XIV of the Companies Act, 1956; except in the case of computers, which are depreciated @ 33.33 % on straight line method as per RBI guidelines.

6. Staff Benefits

- 6.1 Provision for Gratuity & other defined employee benefits are made on accrual basis as per actuarial valuation at the year end in accordance with the guidelines contained in Accounting Standard 15 (revised 2005) issued by ICAI.
- 6.2 Liability of Gratuity to staff is contributed to the Group Gratuity Life Assurance Scheme of the Life Insurance Corporation of India.
- 6.3 Provident Fund and Pension are accounted on Contributory basis.

7. Employees Stock Option Scheme

The Employee Stock Option Scheme provides for grant of equity stock options to employees that vest in a graded manner. The Bank follows the intrinsic value method to account for its employee compensation costs arising from grant of such options. The excess of fair market price over the exercise price shall be accounted as employee compensation cost in the year of vesting. The fair market price is the latest closing price of the shares on the stock exchanges in which shares of the Bank are largely traded immediately prior to the date of meeting of the compensation committee in which the options are granted.

8. Earning Per share

Basic earning per share is calculated by dividing the net profit of the year by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

9. Income Recognition

Interest Income on all advances/ performing assets is recognised on accrual basis. In respect of Non-Performing Assets / Non-Performing Investments, interest income is recognised on receipt basis. Commission earned, Locker rent, Dividends on equity shares & Mutual Funds are recognised on receipt basis.

10. Income Tax

Income Tax comprises Current Tax, Deferred Tax & Fringe Benefit Tax for the year. The deferred tax assets/liability is recognised in accordance with Accounting Standard-22 issued by the Institute of Chartered Accountants of India.

11. Net Profit

The Net Profit disclosed in the Profit and Loss Account is after considering

- 11.1 Provision for taxes on income in accordance with statutory requirements.
- 11.2 Provision for bad and doubtful advances and investments to the satisfaction of auditors.
- 11.3 Contingent Provision for Standard Assets.
- 11.4 Other usual and necessary provisions.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

(Rs in thousands)

	2008-2009	2007-2008
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit as per P&L account	1221349	1017307
Adjustments for		
Depreciation	159427	147960
Provisions & Contingencies - Tax	629500	373900
Provisions & Contingencies - Others	416366	421804
Profit on sale of Investments	-381257	-123500
Profit on sale of Assets	-396	-189
Foreign exchange fluctuations	-98445	-45935
Operating Profit before working capital changes	1,946,544	1791347
Adjustments for		
Funds advanced to Customers	-11482958	-12358260
Other Operating Assets	835	-42044
Deposits from Customers	17816656	17256242
Borrowings from Banks	-24917	-172515
Other operating liabilities	-492660	124474
Purchase and sale of investments (Net)	-6483847	-4049109
Cash generated from Operations	1,279,653	2,550,135
Taxation - Income Tax and FBT	-359304	-149661
Net cash flow from Operating activities - A	920,349	2,400,474
Cash flow from Investing Activities		
Purchase of Fixed Assets	-143285	-191081
Sale of Fixed Assets	6011	632
Net cash used in Investing Activities - B	-137,274	-190,449
Cash flow from Financing Activities		
Proceeds from issue of Share Capital	Nil	68000
Proceeds from share premium	Nil	1169364
Dividend Paid	-74329	-99718
Tax on distributed profits	-27192	-17131
Net cash flow from Financing Activities - C	-101,521	1,120,515
Net increase in Cash and Cash equivalents A+B+C	681,554	3,330,540
Cash and Cash equivalents at 31.03.2008	8,169,301	4,838,761
Cash and Cash equivalents at 31.03.2009	8,850,855	8169301

For and on behalf of the Board

 Chennai
 11.06.2009

S. BALASUBRAMANIAN
 MD & CEO

As per our separate report of even date

 For **Abarna & Ananthan**
 Chartered Accountants

 Chennai
 11.06.2009

Abarna Bhaskar
 Partner
 M.No. : 25145

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS PER SCHEDULE VI, PART IV OF THE COMPANIES ACT, 1956.**

Amount in Rs. 000's

I. Registration Details

Registration No.
 State Code
 Balance Sheet Date

II. Capital Raised during the year

Public Issue
 Bonus Issue
 Rights Issue
 Private Placement

III. Position of Mobilisation and Deployment of funds

Total Liabilities - Rs.
 Total Assets - Rs.

Sources of Funds

Paid up Capital
 Reserves and Surplus
 Secured Loans
 Unsecured Loans

Application of Funds

Net Fixed Assets
 Investments
 Net Current Assets
 Miscellaneous Expenditure
 Accumulated Losses

IV. Performance of the Company

Total Income
 Total Expenditure
 Profit before tax
 Profit after tax
 Earning per share - Rs.
 Dividend @ %

V. Generic Names of three Principal Products / Services of the company (as per monetary terms)

Item Code No.
 Product Description

List Showing Nostro Account Details

Sl. No.	Bank Name	Place	Currency
1	HSBC BANK	NEW YORK	USD
2	WACHOVIA BANK	NEW YORK	USD
3	AMERICAN EXPRESS BANK	NEW YORK	USD
4	COMMERZ BANK	FRANKFURT	USD
5	HONGKONG BANK LTD	COLOMBO	ACUD
6	HONGKONG & SHANGHAI BANKING CORPORATION LTD	LONDON	POUND STERLING (GBP)
7	COMMERZ BANK	FRANKFURT	EURO
8	AMERICAN EXPRESS BANK	FRANKFURT	EURO
9	WACHOVIA BANK	LONDON	EURO
10	BANCO NAZIONALE DEL LAVORO	ROME	EURO
11	HONGKONG & SHANGHAI BANKING CORPORATION LTD	TOKYO	YEN
12	AMERICAN EXPRESS BANK	TOKYO	YEN
13	HSBC BANK	ONTARIO	CAD
14	HONG KONG BANK OF AUSTRALIA	MELBOURNE	AUD
15	HSBC BANK LTD	SINGAPORE	SGD
16	SCANDENAVISKA EN SKILDA BANK Our SWIFT address : CIUBIN5M	STOCKHOLM	SKK

**LIST OF BRANCHES****ANDHRA PRADESH**

ANANTHPUR
BHIMAVARAM
CUDDAPAH
DHARMAVARAM
ELURU
GUDIVADA
GUNTUR
GUNTUR - II
HINDUPUR
HYDERABAD - AMEERPET
HYDERABAD - BASHEER BAGH
HYDERABAD - DILSUKHNAGAR
HYDERABAD - KUKATPALLY
HYDERABAD - MALKAJGIRI
HYDERABAD - SECUNDERABAD
KAKINADA
KURNOOL
MASULIPATNAM
NANDYAL
NELLORE
ONGOLE
PRODATTUR
RAJAMUNDRY
SRIKAKULAM
THENALI
VIJAYAWADA
VIJAYAWADA - II
VISHAKAPATINAM
WARRANGAL

GUJARAT

AHMEDABAD
RAJKOT
SURAT
VADODARA (BARODA)

KARNATAKA

BANGALORE - BANASHANKARI
BANGALORE - INDIRA NAGAR
BANGALORE - JAYA NAGAR
BANGALORE - KORAMANGALA
BANGALORE - SULTANPET
BANGALORE - MALLESWARAM
BANGALORE - RAJAJINAGAR
BELGAUM
DAVENGERE
HUBLI
MANGALORE
MYSORE
RAMANAGARA
TIPTUR
TUMKUR

KERALA

CHAVAKKAD
ERNAKULAM
KANNUR
KOLLAM
KOTTAYAM
KOZHIKODE
PALGHAT
THIRUVALLA
THIRUVANANTHAPURAM
TRISSUR

MAHARASHTRA

ICHALKARANJI
MUMBAI - FORT
MUMBAI - KHAR (WEST)
MUMBAI - MIRA ROAD
MUMBAI - WASHI
NAGPUR
NASHIK
PUNE
THANE

DELHI

NEW DELHI - KAROLBAGH
NEW DELHI - JANAKPURI

TAMIL NADU

ADUTHURAI
ALANGUDI
ARIYALUR
ATHANKOTTAI
AYYEMPETTAI
CHENGALPET
CHENNAI - ANNA NAGAR
CHENNAI - ASHOK NAGAR
CHENNAI - CHINMAYA NAGAR
CHENNAI - CHROMPET
CHENNAI - GEORGE TOWN
CHENNAI - KELAMBAKKAM
CHENNAI - K K NAGAR
CHENNAI - MADIPAKKAM
CHENNAI - MANDAVELI
CHENNAI - MARAIMALAI NAGAR
CHENNAI - MOUNT ROAD
CHENNAI - NANGANALLUR
CHENNAI - PURASAWALKAM
CHENNAI - T NAGAR
CHENNAI - TAMBARAM
CHENNAI - THORAIPAKKAM
CHENNAI - TIRUVANMIYUR
CHENNAI - TRIPLICANE
CHIDAMBARAM
COIMBATORE - OPPANAKARA STREET
COIMBATORE - P.N. PALAYAM
COIMBATORE - R.S.PURAM
COIMBATORE - RAM NAGAR
COIMBATORE - SAIBABA COLONY
COIMBATORE - VILANKURICHI
CUDDALORE
DARAPURAM
DEVAKOTTAI
DINDIGUL
ELLAMPILLAI
ERAVANCHERY
ERODE
GOBICHETTIPALAYAM
HOSUR
JAYANKONDAM
KANCHEEPURAM
KANGAYAM
KARAIKUDI
KARUR
KEELAPALUVUR
KODAVASAL
KORADACHERY
KOTTUR
KOVILPATTI
KRISHNAGIRI

**LIST OF BRANCHES (Contd.)**

KUMBAKONAM GANDHINAGAR
KUMBAKONAM MAIN
KUMBAKONAM TOWN
KURICHI
KUTTALAM
MADAPATTU
MADURAI
MADURAI S.S. COLONY
MADURAI-ANNA NAGAR
MADURAPAKKAM
MADURAPURI
MANAPPARAI
MANJANAYACKANPATTI
MANNARGUDI
MAYILADUTHURAI
NACHIAR KOIL
NADUKKADAI
NADUPATTY
NAGAPATTINAM
NAGERKOIL
NAMAKKAL
NANNILAM
PALLADAM
PALLIPALAYAM
PARAMAKUDI
PATTUKOTTAI
PERAMBALUR
PERIYAKULAM
POLLACHI
PORAYAR
PUDUKKOTTAI
PULIYUR
RAJAPALAYAM
RAMANATHAPURAM
RASIPURAM
RISHIVANDIYAM
SALEM
SALEM FAIR LANDS
SANNANALLUR
SATTUR
SEMBANARKOIL
SENGURICHI
SILLATUR
SIRKALI
SIVAGANGAI
SIVAKASI
SOMANUR
THALAIYUTHU
THAMARANGKOTTAI
THANJAVUR
THENI
THIMMACHIPURAM
THINDAL

THIRUCHENGODU
THOGUR
THUVAKUDI
TIRUKKATTUPALLI
TIRUKOILUR
TIRUMAKOTTAI
TIRUMARUGAL
TIRUNELLIKAVAL
TIRUNELVELI
TIRUPANANDAL
TIRUPOONDI
TIRUPPUR
TIRUVANNAMALAI
TIRUVARUR TOWN
TIRUVARUR VIJAYAPURAM
TIRUVIDAIMARUTHUR
TRICHY
TRICHY SRIRANGAM
TRICHY-CONTONMENT
TUTICORIN
UDUMALPET
ULLIKOTTAI
UTHUKULI
VALANGAIMAN
VEERAPANDI
VEERAPERUMANALLUR
VELLORE
VEPPAMPATTU
VILLUPURAM
VIRUDHUNAGAR

PONDICHERRY
PONDICHERRY
KARAIKAL

UTTARPRADESH
ALLAHABAD

WEST BENGAL
KOLKATTA
KOLKATTA-RASH BEHARI AVENUE

EXTENTION COUNTER
DCW COMPLEX, SAHUPURAM, TUTICORIN
SRMIST, KATTANKULATHUR - CHENNAI
SRMIST, RAMAPURAM - CHENNAI

INTERNATIONAL BANKING DIVISION
ANNA SALAI, CHENNAI

SERVICE BRANCH
ANNA SALAI, CHENNAI

PERFORMANCE HIGHLIGHTS 2008-09

- | | |
|--|---|
| a) Operating Profit | - Operating Profit improved from Rs. 180.15 crore to Rs. 226.72 crore registering a growth rate of 25.85% |
| b) Net Profit | - Net Profit improved from Rs. 101.73 crore to Rs. 122.13 crore recording an increase of 20.05% |
| c) Deposits | - Total Deposits rose by 27.73% from Rs. 6424.96 crore to Rs. 8206.62 crore and Cost of Deposits increased from 7.23% to 7.98% |
| d) Advances | - Advances grew by 24.43% from Rs. 4537.06 crore to Rs. 5645.25 crore. Yield on Advances also increased from 12.82% to 13.46% |
| e) Business | - Total Business stood at Rs. 13893 crore |
| f) Networth | - Owned capital funds have grown to Rs. 660.92 crore from Rs. 566.86 crore |
| g) Earning per share | - Earnings per share grew from Rs. 3.18 to Rs. 3.82 |
| h) Intrinsic value of Re.1/- per share | - Intrinsic value of Re.1/- per share rose from Rs. 17.71 to Rs.20.65 |
| i) Return on Average Assets | - Return on Average Assets (ROA) stood at 1.50% |
| j) Net Interest Margin | - Net Interest Margin (NIM) - 2.98% |
| k) Capital Adequacy Ratio | - Capital Adequacy Ratio comfortably stands at 12.49% under Basel I and 12.69% under Basel II |
| l) Non - Performing Assets | - The percentage of Gross NPA to Gross Advances marginally declined to 1.80% from 1.81%. The Percentage of Net NPA to Net Advances increased from 0.98% to 1.08%. |
| m) Staff Productivity | - Staff Productivity increased to Rs 565.18 lakhs from Rs.499.06 lakhs |

**CUB****CITY UNION BANK LIMITED**

Decade of Progress

(Rs in Crores)

Year	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Paid up Capital	24.00	24.00	24.00	24.00	24.00	24.00	24.00	25.20	32.00	32.00
Reserve fund and Other Reserves	79.74	94.42	118.22	140.77	178.85	216.72	262.15	340.51	534.86	628.92
Deposits	1340.48	1611.62	1973.71	2317.37	2846.65	3095.24	3517.74	4699.33	6424.96	8206.62
Advances	769.39	883.38	1011.05	1214.47	1546.98	2012.96	2549.53	3329.23	4537.06	5645.25
Investments	530.94	643.33	911.20	1099.20	1279.00	1102.24	1057.48	1307.00	1717.96	2397.46
Net Profit	20.06	21.30	28.44	33.37	57.04	46.32	56.37	71.81	101.73	122.13
Dividend	25%	25%	40%	40%	60%	40%	40%	40%	50%	75%
No. of Branches	109	114	118	123	128	134	142	161	180	207
Total No. of Staff	1352	1352	1361	1408	1396	1434	1606	1871	2171	2452
Intrinsic value of Shares (Rs.)	43.22	49.34	59.26	68.65	84.52	100.30	119.23	145.12	17.78	20.65
Earning Rate (%)	83.57	88.75	118.50	139.04	237.67	193.00	234.88	299.21	317.91	381.66

- During the year 2007-08 we have sub-divided the Equity shares of Rs.10/- each into 10 Equity shares of Re.1/- each

Dear Shareholders,

Electronic Clearing Service (ECS) for payment of dividend.

1. The Bank is utilising Electronic Clearing Service (ECS) for payment of dividend. ECS facility will provide the following benefits to the Shareholders :
 - Payment (dividend credit) on the same date to all Shareholders
 - Elimination of loss of instruments in transit
 - Elimination of fraudulent encashment of Dividend Warrants and
 - Effortless receipt - No need to visit the bank for depositing the Dividend Warrants.
2. Under the ECS, the Bank will remit the dividend amount directly to the credit of Shareholders' bank account. However, advice of remittance will be sent to the Shareholders' registered address.
3. Considering the benefits involved in ECS, for payment of dividend, Shareholders are advised to avail this facility. Besides, SEBI also has made it mandatory on the part of the companies to offer ECS facility, wherever the said facility is available.
4. **ECS facility is presently available at fifteen centres viz. Ahmedabad, Bangalore, Bhuvaneshwar, Kolkotta, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Thiruvananthapuram and Patna.**
5. The Shareholders, holding shares in physical forms, are requested to fill in and sign the enclosed ECS form and return the same to the Registrar and Transfer Agent of the Company, M/s. Integrated Enterprises (India) Limited, 2nd Floor, "Kences Towers", No.1, Ramakrishna Street, North Usman Road, T. Nagar, Chennai - 600 017 immediately. Please fill in the form in legible and readable form in English preferably in capital letters.
6. **Along with the completed ECS form, we request you to forward a blank cancelled cheque leaf or photo copy of a cheque leaf of your bank account, to ensure that the MICR number appearing therein is correctly filled in. This is important to ensure proper credit to your account.**
7. The Shareholders, holding shares in Demat form, are requested to forward the ECS particulars only to their Depository Participant (DP) with whom they have their Demat account, for incorporation in their record. The said information will be forwarded by the Depository Participant to the Registrar and Transfer Agent of the Bank, for necessary action at the time of payment of dividend.

Thanking you,

Yours faithfully,

For **CITY UNION BANK LIMITED,**

V. RAMESH,
AGM & Company Secretary.

Kumbakonam
30.06.2009

NEW CAPITAL ADEQUACY FRAMEWORK – BASEL II DISCLOSURES UNDER PILLAR 3 AS ON 31.03.2009

TABLE DF – 1: SCOPE OF APPLICATION

- a. The name of the top bank in the group to which the framework applies.

CITY UNION BANK LIMITED

- b. An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group
- i. that are fully consolidated;
 - ii. that are pro-rata consolidated;
 - iii. that are given a deduction treatment; and
 - iv. that are neither consolidated nor deducted (e.g. Where the investment is risk weighted).

The Bank is not having any subsidiary.

- c. The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.

Since the Bank is not having any subsidiary, this does not arise.

- d. The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.

The Bank does not have interest in any insurance entities.

DF – 2 : CAPITAL STRUCTURE

CAPITAL STRUCTURE – 31.03.2009

Qualitative Disclosures:

- (a) Summary

Type of Capital	Features
Equity (Tier I)	City Union bank has raised Equity by way of Public Issue during the month of August 1998 aggregating to Rs.21.00 crs (including premium). Subsequently, the Bank raised its capital through Preferential Issue during the month of March 2007 to the tune of Rs.20.28 crs and in the month of October 2007 to the tune of Rs.125.44 crs (inclusive of premium). The Equity Capital of the Bank as on 31.03.2009 stood at Rs.32.00 crs.
Tier II Capital	City Union Bank has not raised Upper Tier II capital and raised only Lower Tier II capital to the tune of Rs.40.00 crs. Type of Instrument : Unsecured, Redeemable and Non-convertible Nature : Plain vanilla bonds with no special features like put or call option etc.

Tier II Capital - Bonds

Date	Amount (Rs in crs)	Tenure (Months)	Coupon %	Rating
31.03.2006	30.00	121	8.90% semi annual	CARE - A FITCH - A(ind)
30.03.2007	10.00	121	10.00% annual	CARE - A FITCH - A(ind)

Quantitative Disclosures

Sl. No.	Description	Amount (Rs. in Crs)	
01.	Tier - I Capital		659.61
	- Paid-up Share Capital	32.00	
	- Reserves & Surplus	627.61	
	Amount deducted from Tier I Capital (if any)		
	- Intangible Assets	15.16	15.16
	Total eligible Tier I Capital		644.45
02.	Tier - II Capital		67.85
	a) Revenue Reserves	1.31	
	b) Lower Tier II - Subordinated Debts	40.00	
	c) Provision for Standard Assets	26.54	
03.	Total Eligible Capital (net of deductions from Tier I & Tier II Capital)		712.30

DF – 3 : CAPITAL ADEQUACY
Qualitative Disclosures:
a. A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.

In order to strengthen the capital base of banks in India, the Reserve Bank of India in April 1992 introduced capital adequacy measures in banks, based on the capital adequacy framework (Basel I) issued by Basel Committee on Banking Supervision (BCBS). Initially, the framework addressed capital for credit risk, which was subsequently amended to include capital for market risk as well. The Bank has been compliant with regard to maintenance of minimum capital for credit and market risks.

Subsequently, the BCBS has released the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (popularly known as Basel II document) on June 26, 2004. Reserve Bank of India has issued final guidelines on April 27, 2007 for implementation of the New Capital Adequacy (Basel II) Framework.

In line with the RBI guidelines, the Bank has successfully migrated to the revised framework from 31.03.2009. The Bank has continued the Parallel run of Basel II framework continuously tracking the exposures and studied the impact on Bank's Capital to Risk weighted Assets Ratio (CRAR) on quarterly basis with a view to ensuring smooth transition to the revised framework.

In accordance with the RBI's requirement, the Bank has adopted Standardised Approach (SA) for Credit Risk and Basic Indicator Approach (BIA) for Operational Risk to compute capital as on March 31, 2009. Besides this, the Bank continues to apply the Standardised Duration Approach (SDA) for computing capital requirement for Market Risk.



Reserve Bank of India has prescribed Banks to maintain a minimum CRAR of 9% with regard to credit risk, market risk and operational risk on an ongoing basis. The total Capital to Risk weighted Assets Ratio (CRAR) as per Basel II guidelines works out to 12.69% as on 31.03.2009 (as against 9%). The Tier I CRAR stands at 11.48% as against RBI's prescription of 6.00%.

The Bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR. As regards the adequacy of capital to support the future activities, the Bank has drawn an assessment of capital requirement for three years with the approval of the Board. The surplus CRAR shall act as a buffer to support the future activities.

Quantitative disclosures	(Rs. in crores)	
(a) Capital requirements for credit risk:		
• Portfolios subject to standardised approach		454.92
• Securitisation exposures		-
(b) Capital requirements for market risk:		
• Standardised duration approach		16.13
- Interest rate risk	7.41	
- Foreign exchange risk	2.60	
- Equity risk	6.12	
(c) Capital requirements for operational risk:		
• Basic indicator approach;	34.30	34.30
		505.35
	Total capital required @ 9%	
(d) Total and Tier 1 CRAR:		
	Total CRAR	12.69%
	Tier I CRAR	11.48%

TABLE DF – 4
CREDIT RISK : GENERAL DISCLOSURES

Credit Risk:

Credit Risk is a possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, Credit Risk arises mostly from lending activities of the bank, when a borrower is unable to meet his financial obligations emanating from potential changes in the credit quality / worthiness of the borrowers or counterparties.

Credit Risk Management encompasses a host of management techniques, which help the banks in mitigating the adverse impacts of credit risk. The objective of the Credit Risk Management is to identify, measure, monitor and control credit risk by adopting suitable methodology.

The Bank has formulated Loan Policy which stipulates various prudential norms, bench marks, guidelines for sanctioning of credits and recovery of the same. The Bank has also formulated a separate Credit Risk Management Policy, besides a Policy on Credit Risk Mitigation and Collateral Management.

Credit Risk measurement is done by a robust internal credit risk rating system. Credit Risk Rating is the process wherein the merits and demerits of a borrower are captured and assigned with scorings, which enables the Bank to take a view on the acceptability or otherwise of any credit proposal.

**Credit Risk Management Policy:**

The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The Policy document defines organisation structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified and managed. Credit Risk is monitored on a bank wide basis and the compliance with regard to the risk limits approved by the Credit Risk Management Committee(CRMC)/ Board is ensured.

The Bank adopts the definition of 'past due' and 'impaired credits' (for accounting purposes) as defined by Reserve Bank of India under Income Recognition, Asset Classification and provisioning (IRAC) norms (vide RBI Master Circular dated July 01, 2008)

Quantitative Disclosures

Total Gross Credit Risk Exposures including Geographic Distribution of Exposure:

(Rs. in Crores)

Outstandings as on 31.03.2009	Domestic	Overseas	Total
Fund based	5686.22	Nil	5686.22
Non-fund based	520.74	Nil	520.74
Total	6206.96	Nil	6206.96

Industry type distribution of exposures :**DETAILS ON INDUSTRYWISE EXPOSURES -31.03.2009**

(Total advances to Small, Medium & Large Industries)

(Rs. in Crores)

S.No	Industry Name		Balance Outstanding
1	Mining		12.09
2	Iron and Steel		236.25
3	Other Metal & Metal Products		44.02
4	All Engineering		76.33
4 a	of which Electronics	24.91	
5	Cotton Textiles		610.41
6	Other Textiles		114.25
7	Food Processing		97.46
8	Vegetable Oils & Vanaspathi		8.33
9	Paper & Paper Products		112.73
10	Rubber & Rubber Products		6.76
11	Chemicals, Dyes, Paints etc.		20.91
11 a	of which Fertilizers	0.41	
11 b	Petro chemicals	6.65	
11 c	Drugs & Pharmaceuticals	13.85	
12	Leather & Leather Products		1.07
13	Gems & Jewellery		1.61
14	Construction		372.55
15	Automobile including Trucks		16.52
16	Infrastructure - Power		80.57
17	NBFC		122.45
18	Other Industries		122.58
19	All Traders		1243.55
20	Residual advances to balance Gross Adv		2385.78
	Gross Advances		5686.22



Residual contractual maturity breakdown of assets 31.03.2009

(Rs. in Crores)

Residual contractual maturity period	Cash, RBI Balance and Balance with all Banks	Investments	Advances	Fixed & Other Assets	Total
1 Day	267.98	4.25	34.13	22.49	328.85
2 to 7 Days	3.98	81.02	30.76	20.28	136.04
8 to 14 Days	5.00	0.00	38.98	21.11	65.10
15 to 28 Days	34.01	19.86	44.29	1.85	100.01
29 Days to 3 Months	239.09	36.39	104.96	2.53	382.97
Over 3 Months & upto 6 Months	40.37	15.31	11.29	43.56	110.53
Over 6 Months & upto 1 Year	123.30	20.39	14.71	66.80	225.20
Over 1 Year & upto 3 Years	162.32	116.40	3586.34	62.94	3928.00
Over 3 Years & upto 5 Years	7.77	261.82	627.65	0.00	897.24
Over 5 Years	4.57	1830.98	1091.03	161.01	3087.59
Total	888.39	2386.42	5584.14	402.57	9261.52

Amount of NPAs (Gross)

(Rs. in Crores)

Sub-standard	69.07
Doubtful 1	19.43
Doubtful 2	12.94
Doubtful 3	0.40
Loss	0.24
Gross NPA Total	102.08

The Amount of Net NPAs is Rs.61.11 crore

The NPA ratios are as under

- Gross NPA to Gross Advances 1.80%
- Net NPAs to Net Advances 1.08%

The movement of NPA is as under:

(Rs. in Crores)

i. Opening balance at the beginning of the year (01.04.08)	82.93
ii. Additions made during the year (4 quarters)	86.42
iii. Reductions during the year (4 quarters)	67.27
iv. Closing balance at the end of year 31.03.09 (i + ii - iii)	102.08

The movement of provisions for NPAs are as under:

(Rs. in Crores)

i. Opening balance at the beginning of the year (01.04.08)	35.74
ii. Provisions made during the year (4 quarters)	33.50
iii. Write-off/Write-back of excess provisions (4 quarters)	31.48
iv. Closing Balance at the end of quarter 31.03.09 (i + ii - iii)	37.76

The amount of non-performing investment - Nil

The amount of provision held for non-performing investment - Nil

The movement of provisions for depreciation on investments

(Rs. in Crores)

i. Opening balance at the beginning of the year (01.04.08)	10.15
ii. Provisions made during the year (4 quarters)	Nil
iii. Write-off (4 quarters)	1.17
iv. Write-back of excess provisions (4 quarters)	1.75
v. Closing Balance at the end of quarter 31.03.2009 (i + ii - iii - iv)	7.23

TABLE – DF - 5

CREDIT RISK: DISCLOSURES FOR PORTFOLIO SUBJECT TO THE STANDARDISED APPROACH

Qualitative Disclosures

The Bank is using the services of the four External Credit Rating Agencies approved by Reserve Bank of India, namely a) CRISIL, b) ICRA, c) CARE and d) FITCH to facilitate the corporate borrower customers who enjoy credit facilities above Rs.5.00 crore to solicit the ratings. The corporates which are yet to get the approved ratings from these rating agencies, are treated as 'unrated'.

Quantitative Disclosures

For exposure amounts after risk mitigation subject to the standardised approach, amount of a bank's outstandings (rated and unrated) in the following three major risk buckets as well as those that are deducted as per risk mitigation are given below.

(Rs. in Crores)

Risk Weight	Rated	Unrated	Total
Below 100 %	447.91	4271.75	4719.66
100 %	161.64	3228.62	3390.26
More than 100 %	0.25	459.02	459.27
Total outstanding after mitigation	609.80	7959.39	8569.19
Deducted (as per Risk Mitigation)	---	980.69	980.69

TABLE DF – 6

CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACH

Qualitative Disclosures

The Bank has put in place Credit Risk Mitigation and Collateral Management Policy with the primary objective of

- Mitigation of Credit Risks and enhancing awareness on identification of appropriate collateral taking into account the spirit of Basel II / RBI guidelines
- Optimizing the benefit of Credit Risk Mitigation in computation of capital charge as per the approaches laid down in Basel II / RBI guidelines.

Valuation and methodologies are detailed in Credit Risk Management Policy, Valuation Policy and Loan Policy of the Bank.

The Bank recognises the following Financial Collateral (FC) for Credit Risk Mitigation.

- a) Cash or Cash equivalent (Bank Deposits/Certificate of Deposits issued by the Bank, etc.)
- b) Gold Jewels
- c) Indira Vikas Patras
- d) Kisan Vikas Patras
- e) National Savings Certificates
- f) Life Insurance Policies with a declared surrender value
- g) Securities issued by Central and State Governments
- h) Debt securities rated by a recognized Credit Rating Agency where these are either:
 - at least BBB(-) when issued by public sector entities; or
 - at least A when issued by other entities (including banks and Primary Dealers); or
 - at least PR3/P3/F3/A3 for short term debt instruments
- i) Debt securities though not rated by Credit Rating Agency but
 - issued by a bank and
 - listed on a recognized stock exchange; and
 - classified as senior debt.

The Bank accepts guarantees from individuals with considerable net worth and the Corporates, besides guarantee issued by Government, other Commercial banks and ECGC.

Concentration Risk in Credit Risk Mitigation: All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit/ceiling has been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank. The portion of advances subjected to CRM including non-funded advances amounted to 10.59%.

Qualitative Disclosures

For disclosed credit risk portfolio under the standardised approach, the total exposure that is covered by eligible financial collateral (FCs) after the application of haircuts is given below:

- a) Deposits taken in respect of funded facilities – Rs.395.27 crore
- b) Deposits taken in respect of non-funded facilities – Rs.279.91 crore
- c) Gold Jewels taken in respect of funded facilities – Rs. 264.54 crore

TABLE DF – 7 Securitization : Disclosure for Standardised Approach

Qualitative Disclosures: The Bank has not undertaken any securitization activity.

Quantitative Disclosures: Nil

TABLE DF – 8 Market Risk in Trading Book

Qualitative Disclosures:

Market Risk in trading book is assessed as per the Standardised duration method. The capital charge for HFT and AFS is computed as per Reserve Bank of India prudential guidelines.

Quantitative Disclosures:

The capital requirements for 31.3.09

- Interest Rate Risk - Rs. 7.41 crore
- Equity Position Risk - Rs. 6.12 crore
- Foreign Exchange Risk - Rs. 2.60 crore

Total - Rs.16.13 crore

TABLE DF – 9**OPERATIONAL RISK****Qualitative Disclosures**

Operational Risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risks.

The Bank has put in place Operational Risk Management Policy duly approved by the Board. This policy outlines the Organisation Structure and covers the process of identification, assessment/measurement and control of various operational risks.

The other policies adopted by the Bank which deal with the management of operational risks are Inspection Policy, Information Security Audit Policy and Policy on Modified code of conduct for Know-Your Customer & Anti-Money Laundering Standards.

Operational Risks in the Bank are managed through comprehensive and well-articulated internal control framework. Operational risk is mitigated by effecting insurance on all aspects and cover for other potential operational risks.

Capital charge for Operational Risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the previous three years i.e. 2005-06, 2006-07 and 2007-08 is considered for computing the capital charge. The required capital is Rs.34.30 crore.

TABLE DF – 10**INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)****Qualitative Disclosures:**

Interest rate risk is the risk where changes in the market interest rates might affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as also the net-worth of the Bank (economic value perspective). The risk from earnings perspective can be measured as impact in the Net Interest Income (NII) or Net Interest Margin (NIM). Similarly, the risk from economic value perspective can be measured as drop in the Economic value of Equity (EVE).

The impact on income (earning perspective) is measured through use of Gap Analysis by applying notional rate shock up to 200 bps as prescribed.

For the calculation of impact on earnings, the Traditional Gap is taken from the Rate Sensitivity statement and based on the remaining period from the mid point of a particular bucket, the impact for change in interest rates up to 200 bps is arrived at.

The Bank has adopted Duration Gap Analysis for assessing the impact (as a percentage) on the Economic Value of Equity (Economic Value Perspective) by applying a notional interest rate shock of 200 bps. As per the draft guidelines issued by RBI DBOD.No.BP.7/21.04.098/2005-06 dated April 17, 2006, the Bank calculates Modified Duration Gap on Assets & Liabilities and arrive at the impact on Economic Value of Equity. The Bank is calculating IRRBB on a quarterly basis.

Quantitative Disclosures:

- a) The impact of change in Interest Rate i.e. Earnings at Risk for 200 bps interest rate shock as on 31.03.2009 is Rs.34.73 crore.
- b) The impact of change in market value of Equity for an interest rate shock of 200 bps as on 31.03.2009 is Rs.19.32%.

EXPANDING NETWORK



Elampillai, Salem - 04-09-2008



Nadukkadai - 04-09-2008



Fairlands, Salem - 04-09-2008



Chengalpattu - 04-09-2008

EXPANDING NETWORK



Pallipalayam - 04-09-2008



R.S. Puram, Coimbatore - 04-09-2008



Kelambakkam, Chennai - 20-10-2008



Rash Behari Avenue, Kolkatta - 20-10-2008

EXPANDING NETWORK



Anna Nagar, Madurai - 20-10-2008



Nachiyarkovil - 20-10-2008



Perambalur - 20-10-2008



Ramanagara - 20-10-2008

EXPANDING NETWORK



Rajaji Nagar, Bangalore - 24-11-2008



Kollam - 24-11-2008



Madurapuri - 24-11-2008



Srikazhi - 24-11-2008

EXPANDING NETWORK



Banashankari, Bangalore - 21-01-2009



Hindupur - 23-01-2009



Thindal, Erode - 23-01-2009



Dilsukhnagar, Hyderabad - 09-03-2009

EXPANDING NETWORK



Kukatpally, Hyderabad - 09-03-2009



Janakpuri, New Delhi - 22-03-2009



Allahabad - 25-03-2009



Thuvakudi - 25-03-2009

Annual General Meeting - 24.09.2008



Wrapper-BACK